



U.S. Department
of Transportation

**Federal Transit
Administration**

PROPOSED CIRCULAR

FTA C 5010.1D

DATE

Subject: GRANT MANAGEMENT REQUIREMENTS

1. PURPOSE. This circular is a re-issuance of guidance for post-award grant administration and project management activities for all applicable Federal Transit Administration (FTA) grant programs. This revision incorporates provisions of the Safe, Accountable, Flexible, Efficient, Transportation Equity Act: A Legacy for Users (SAFETEA-LU), and includes the most up-to-date available guidance for these programs.

These requirements are intended to assist grantees in administering FTA-funded projects and in meeting grant responsibilities and reporting requirements. Grantees have a responsibility to comply with regulatory requirements and to be aware of all pertinent material to assist in the management of federally-assisted grants.

2. CANCELLATION. This circular, when final, will cancel FTA Circular 5010.1C, "Grant Management Guidelines," dated 10-1-98.
3. AUTHORITY.
 - a. Federal Transit Laws, codified at 49 U.S.C. Chapter 53.
 - b. 49 CFR 1.51.
4. WAIVER. FTA reserves the right to waive any provision of this circular to the extent permitted by Federal law or regulation.
5. FEDERAL REGISTER NOTICE. (This will be inserted when the final circular is adopted).
6. AMENDMENTS TO THE CIRCULAR. FTA reserves the right to amend this circular in the future to update references to requirements contained in other revised or new guidance and regulations that undergo notice and comment procedures, without further notice and comment on this circular.
7. ACCESSIBLE FORMATS. This document is available in accessible formats upon request. Paper copies of this circular, as well as information regarding these accessible formats, may be obtained by phoning FTA's Administrative Services Help Desk, at 202-366-4865. The Federal Relay Service (FRS) is a Government system to support individuals with

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hearing impairment. An operator trained to use the TTY System is available to assist those individuals who are hearing impaired. The FRS Toll Free Access Number is 800-877-8339.

/S/ Original Signed by
James S. Simpson
Administrator

SECTION 5010 PROGRAM CIRCULAR

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CHAPTER I

INTRODUCTION AND BACKGROUND

1. **THE FEDERAL TRANSIT ADMINISTRATION (FTA)**. FTA is one of ten operating administrations within the U.S. Department of Transportation (DOT). Headed by an Administrator who is appointed by the President of the United States, FTA functions through a Washington, DC, headquarters office, ten regional offices, and five metropolitan offices that assist transit agencies in all 50 States, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, Northern Mariana Islands, and American Samoa.

Public transportation includes buses, subways, light rail, commuter rail, monorail, passenger ferry boats, trolleys, inclined railways, people movers, and vans. Public transportation can be either fixed-route or demand-response service.

The Federal government, through FTA, provides financial assistance to develop new transit systems and improve, maintain, and operate existing systems. FTA oversees thousands of grants to hundreds of State and local transit providers, primarily through its regional and metropolitan offices. These grantees are responsible for managing their programs in accordance with Federal requirements, and FTA is responsible for ensuring that grantees follow Federal statutory and administrative requirements.

2. **AUTHORIZING LEGISLATION**. Most Federal transit laws are codified at 49 U.S.C. Chapter 53. Authorizing legislation is substantive legislation enacted by Congress that establishes or continues the legal operation of a Federal program or agency. Congress has amended FTA's authorizing legislation every four to six years. FTA's most recent authorizing legislation is the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), Public Law 109-59, signed into law August 10, 2005. SAFETEA-LU authorizes FTA programs from Federal Fiscal Year (FY) 2006 through FY 2009. Changes have been added to this circular to reflect the SAFETEA-LU changes to Federal transit law and to reflect changes required by other laws that have become effective since the circular was last published in 1998.
3. **HOW TO CONTACT FTA**. FTA's regional and metropolitan offices are responsible for the provision of financial assistance to FTA grantees and oversight of grant implementation for most FTA programs. Certain specific programs are the responsibility of FTA headquarters. Inquiries should be directed to either the regional or metropolitan office responsible for the geographic area in which you are located. See Appendix E for additional information.

Visit FTA's website, <http://www.fta.dot.gov>, or contact FTA Headquarters at the

following address and phone number:

Federal Transit Administration
Office of Communication and Congressional Affairs
1200 New Jersey Avenue SE
Room E56-205
Washington, DC 20590
Phone: 202-366-4043
Fax: 202-366-3472

4. GRANTS.GOV. FTA posts all competitive grant opportunities on Grants.gov. Grants.gov is the one website for information on all discretionary Federal grant opportunities. Led by the U.S. Department of Health and Human Services (DHHS) and in partnership with Federal grant-makers including 26 agencies, 11 commissions, and several States, Grants.gov is one of 24 Federal cross-agency E-government initiatives. It is designed to improve access to government services via the Internet. More information about Grants.gov is available at <http://www.grants.gov>.
5. DEFINITIONS. All definitions in 49 U.S.C. 5302(a) apply to this circular, as well as the following definitions:
 - a. Accrual Basis of Accounting: The accounting method where income is recognized when earned instead of when received, and expenses are recognized when incurred instead of when paid.
 - b. Administrative Amendment: A minor change in a Grant Agreement normally initiated by FTA to modify or clarify certain terms, conditions or provisions of a grant.
 - c. Air Rights: The space located above, at, or below (subterranean) the surface of the ground, lying within a project's property limits.
 - d. Brownfields: The Environmental Protection Agency (EPA) defines "Brownfields" (one type of contaminated property), as abandoned, idled, or under-used industrial and commercial land, often found in urban areas, where redevelopment is complicated by real or perceived hazardous contamination. These properties have lower levels of contamination than Superfund sites, but they are a health risk and economic detriment to the communities where they are located.
 - e. Budget Revision: Any change within the scope of the original grant. A budget revision may be a transfer of funds within a project scope or between existing activity line items (ALIs) within an approved grant. It could also include the addition or deletion of an ALI.
 - f. Capital Asset: Facilities or equipment with a useful life of at least one year, which are eligible for capital assistance.

- g. Capital Lease: Any transaction whereby the grantee acquires the right to use a capital asset without obtaining ownership.
- h. Concurrent Non-Project Activities: Also known as betterments, con-current no-project activities are improvements to the transit project desired by the grant recipient that are not part of the base functioning of the Federal transit project.
- i. Contingency Fleet: Inactive rolling stock reserved/retained for emergencies.
- j. Cost of Project Property: The purchase price of project property. This is the net invoice unit price, including the cost of modifications, attachments, accessories, or auxiliary apparatus necessary to make the equipment usable for the intended purpose. Other charges, such as the cost of inspection, installation, transportation, taxes, duty or protective in-transit insurance, should be treated in accordance with the grantee's regular accounting practices, as separate line items. The cost of items separately installed and removable from rolling stock, such as fareboxes and radios, is treated as a separate acquisition and not as part of the cost of the vehicle.
- k. Depreciation: Is the term most often used to indicate that personal property have declined in service potential. In the accounting world, depreciation is not so much a matter of valuation as it is a means of cost allocation.
- l. Discretionary Funding: Grant funds distributed at the discretion of the agency as distinct from formula funding.
- m. Equipment: An article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost which equals or exceeds the lesser of the capitalization level established by the governmental unit for financial statement purposes, or \$5,000. Includes rolling stock and all other such property used in the provision of public transit service.
- n. Equipment Inventory: A physical inventory of project (non-real) property taken and results reconciled with the personal property records.
- o. Excess Property: Property which the grantee determines is no longer required for its needs or fulfillment of its responsibilities and has not met its useful life under an FTA assisted grant.
- p. Excess Real Property Inventory and Utilization Plan: The document which lists each real estate parcel acquired with participation of Federal funds that is no longer needed for approved FTA project purposes and which states how the grantee plans to use or dispose of the excess real property.
- q. Fleet Status Report: A report that identifies rolling stock to be replaced, retired, or disposed of and identifies both their mileage and age at the time of removal from service, and it discusses the proposed anticipated spare ratio. This differs from a Bus or

Rail Fleet Management Plan which includes an inventory of all buses among other items, such as operating policies, peak vehicle requirements, maintenance and overhaul programs, system and service expansions, rolling stock procurements and related schedules, and spare ratio justification.

- r. Force Account: The use of a grantee's own labor force to execute a capital grant project.
- s. Formula Funding: Grant funding allocated using factors that are specified in the law, or in administrative formula developed by FTA.
- t. Grant: An award of financial assistance, including Cooperative Agreements, in the form of money, or property in lieu of money, by the Federal Government to an eligible grantee. Used interchangeably with Grant Agreement.
- u. Grantee: An entity to which a grant is awarded directly by FTA to support a specific project in which FTA does not take an active role or retain substantial control, as set forth in 31 U.S.C. Section 6304. In this circular FTA uses the term grantee interchangeably with grant recipient and recipient.
- v. Grant Scope: The broad purpose or objectives of a grant. The scope of a grant may encompass one or more specific projects.
- w. Incidental Use of Project Property and Equipment: The authorized use of real property and equipment acquired with FTA funds for purposes other than provision of transit service. Such use must be compatible with the approved purposes of the project and not interfere with intended public transportation uses of project assets.
- x. Large Urbanized Area: Any urbanized area with a population of at least 200,000.
- y. Market Value: The most probable price which equipment or project property should bring in a competitive and open market.
- z. Master Agreement: The FTA official document containing substantially all FTA and other cross-cutting Federal requirements applicable to the FTA recipient and its project. The Master Agreement is generally revised annually. The Master Agreement is incorporated by reference and made part of each FTA grant, Cooperative Agreement, and amendment thereto.
- aa. NEPA: National Environmental Policy Act (NEPA), signed into law by President Nixon January 1, 1970, 42 USC Section 4321-4370d declared a national policy to safeguard the environment and created the Council on Environmental Quality in the Executive Office of the President. To implement the national environmental policy, NEPA requires that environmental factors be considered when Federal agencies make decisions and that a detailed statement of environmental impacts be prepared for all major Federal actions significantly affecting the quality of the human environment.

- bb. Net Present Value: The discounted monetized value of expected net benefits (i.e. benefits minus costs). It is calculated by assigning monetary values to benefits and costs, discounting future benefits and costs using an appropriate discount rate to obtain a present value, and subtracting the sum total of discounted costs from the sum total of discounted benefits.
- cc. Net Proceeds from the Sale of Project Equipment and Real Property: The amount realized from the sale of property no longer needed for transit purposes less the expense of any actual and reasonable selling and fixing-up expenses.
- dd. Overhaul: Systematic Replacement or upgrade of systems whose useful life are less than the useful life of entire vehicle in a programmed manner.
- ee. Preventive Maintenance: Is defined as all maintenance costs related to vehicles and non-vehicles. For general guidance regarding eligible maintenance costs, the grantee should refer to the definition of “maintenance” in the most recent National Transit Database (NTD) reporting manual.
- ff. Program Income: Gross income received by the grantee or subgrantee directly generated by a grant supported activity, or earned only as a result of the Grant Agreement during the grant period (the time between the effective date of the grant and the ending date of the grant reflected in the final financial report).
- gg. Program of Projects: A list of projects to be funded in a grant application submitted to FTA by a designated recipient. The program of projects (POP) lists the subrecipients and indicates whether they are private non-profit agencies, governmental authorities, or private providers of transportation service, designates the areas served (including rural areas), and identifies any tribal entities. In addition, the POP includes a brief description of the projects, total project cost, and Federal share for each project.
- hh. Projects: For the purposes of the FTA program, public transportation improvement activities funded under an executed grant.
- ii. Project Activity Line Item (ALI): The description and dollar amount contained in the budget for an approved grant activity associated within a particular scope approved as part of a grant. ALIs under each scope are informational and are used as tools for FTA and the grantee to manage the grant. Quantities of rolling stock and other project property, where applicable, must be recorded at the project ALI level. Revisions to ALI amounts are allowable as budget revisions.
- jj. Project Property: Includes equipment, real property, supplies, and rolling stock.
- kk. Project Scope: The broad purpose of a specific project within a grant. There may be multiple scopes identifying each of the different projects within a grant and each scope may contain a number of activities which represent the estimate of actions needed to complete the project. FTA reserves the right to consider other information in

determining the “scope of the project” when that term is used for legal purposes. See the Master Agreement.

- ll. Public Transportation: Transportation by a conveyance that provides regular and continuing general or special transportation to the public, but does not include school bus, charter, or intercity bus transportation or intercity passenger rail transportation provided by AMTRAK. The terms “transit,” “mass transportation,” and “public transportation” are used interchangeably in transit law.
- mm. Real Property: Land, including affixed land improvements, structures, and appurtenances. It does not include movable machinery and equipment.
- nn. Realty/Personalty Report: A realty/personalty report is a listing of items of real estate to be appraised and items of personalty to be moved. Real estate is the land and anything permanently affixed to the land, such as buildings, fences, and those things attached to the buildings, which if removed, deface the structure or integrality of the building, such as plumbing, heating fixtures, etc. Personal property, on the other hand, is the right or interest in things of a temporary or moveable nature. State law varies on the definition of real property and personal property; therefore, the grantee should rely on their State law’s definition of real property and personal property.
- oo. Rebuild: A recondition at the end of useful life to create additional useful life.
- pp. Recipient: An entity that receives funds from FTA, whether as a direct recipient or an indirect recipient. For purpose of this circular, FTA uses the term recipient interchangeably with the terms grant recipient and grantee.
- qq. Remaining Federal Interest for Dispositions Before the End of Useful Life: Is the amount calculated by multiplying the current fair market value or proceeds from sale by FTA’s share of the equipment. Fair market value is the greater of the unamortized value of the remaining service life based on straight line depreciation of the original purchase price or the Federal share of the sales proceeds.
- rr. Remaining Federal Interest for Real Property: Federal interest is the greater of the fair market value of the property, or the straight line depreciated value of improvements plus land value.
- ss. Sales Proceeds: Sales Proceeds are the net proceeds generated by the disposition of excess real property or equipment that was purchased in whole or in part with FTA grant funds.
- tt. Subrecipient: A State or local government authority, nonprofit organization, or operator of public transportation services that receives a grant indirectly through a recipient.

- uu. Useful Life: The expected lifetime of project property, or the acceptable period of use in service. Useful life of revenue rolling stock begins on the date the vehicle is placed in revenue service and continues until it is removed from service. See Chapter IV of this circular; and the most recent versions of Circular 9030.1 and Circular 9300.1 Capital Program. Used interchangeably with “service life.”
- vv. Shared Use: Those instances in which a project partner, separate from the transit agency or grantee, occupies part of a larger facility and pays for its prorata share of the construction, maintenance, and operation costs.
- ww. Straight Line Depreciation: Method that is considered as a function of time instead of a function of usage. This method is widely used in practice because of its simplicity. It basically assumes that the asset’s economic usefulness is the same each.
- xx. Supplies: All tangible project property other than equipment with a unit value of less than \$5,000.
- yy. TEAM-Web: Web-based application use for administering and managing FTA grants most commonly referred to as “TEAM.” TEAM stands for Transportation Electronic Award and Management (TEAM) system.
- zz. Transit Enhancements: Projects or project elements that are designed to enhance public transportation service or use and are physically and functionally related to transit facilities. Eligible enhancements include historic preservation, rehabilitation, and operation of historic public transportation buildings, structures, and facilities; bus shelters; landscaping and other scenic beautification; public art, pedestrian access and walkways; bicycle access; transit connections to parks within the grantee’s transit service area; signage; and enhanced access for persons with disabilities to public transportation.
- aaa. Uneconomical Remnant: A parcel of real property in which the owner is left with an interest after the partial acquisition of the owner’s property, and which the acquiring agency has determined has little or no value or utility to the owner.
- bbb. Unliquidated Obligations: Funding commitments that have been incurred, but for which outlays have not yet been recorded because goods and services have not been received. Unliquidated obligations should be accounted for on Line D of the Financial Status Report (FSR).
- ccc. Value Engineering: An analysis of the functions of a project, performed by qualified agency or contractor personnel, directed at improving performance, reliability, quality, safety, and life cycle costs.

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CHAPTER II

CIRCULAR OVERVIEW

1. GENERAL. This circular provides requirements and procedures for management of all Federal Transit Administration (FTA) programs at 49 U.S.C. Chapter 53, where grant management requirements unique to a particular FTA program are not described in the specific program circular.

FTA follows the Common Rule (49 CFR Part 18) for project management for those programs that have States as grantees, including Sections 5305, 5310, 5311, and 5313(b), and 5316, 5317.

FTA regional and metropolitan offices retain responsibility for management oversight of most grants and projects. References in this circular to the cognizant agency mean the FTA regional or metropolitan office unless otherwise defined.

2. APPLICABLE PROGRAM DESCRIPTIONS. FTA provides formula and discretionary funding under a variety of programs by awarding grants to eligible recipients. While this circular contains the post-award guidance applicable to all FTA programs, several of the programs described below have individual program circulars that contain pre-award instructions and unique grant administration and project management guidance. Please reference FTA's public website at <http://www.fta.dot.gov> for a complete listing of FTA programs and their current FTA circulars.

- a. Metropolitan Planning, Statewide Planning, and Planning Programs (Section 5303, Section 5304, and Section 5305). These programs provide funding to support cooperative, continuous, and comprehensive planning for making transportation investment decisions in metropolitan areas and statewide.

For planning activities that (A) support the economic vitality of the metropolitan area, especially by enabling global competitiveness, productivity, and efficiency; (B) increase the safety of the transportation system for motorized and nonmotorized users; (C) increase the security of the transportation system for motorized and nonmotorized users; (D) increase the accessibility and mobility of people and for freight; (E) protect and enhance the environment, promote energy conservation, improve the quality of life, and promote consistency between transportation improvements and State and local planned growth and economic development patterns; (F) enhance the integration and connectivity of the transportation system, across and between modes, for people and freight; (G) promote efficient system management and operation; and (H) emphasize the preservation of the existing transportation system.

Funds are apportioned by a formula to States that includes consideration of each State's urbanized area population in proportion to the urbanized area population for the entire nation, as well as other factors. States receive no less than .5 percent of the amount apportioned. These funds are sub-allocated by States to Metropolitan Planning

Organizations (MPOs) by a formula that considers each MPO's urbanized area population, their individual planning needs, and a minimum distribution. For more information, please refer to the Joint Planning Regulations at 49 CFR Part 613 published at 72 FR 7224 and the most recent version of FTA Circular 8100.1.

- b. Urbanized Area Formula Program (Section 5307). The Urbanized Area Formula Program makes Federal resources available to urbanized areas and to the Chief Executive Officer of a State (Governor) for transit capital and operating assistance in urbanized areas and for transportation-related planning. An urbanized area is an incorporated area with a population of 50,000 or more that is designated as such by the Bureau of the Census.

For urbanized areas with a population of 200,000 or more, Urbanized Area Formula Program funds are apportioned and flow directly to a designated grantee(s) selected locally to apply for and receive Federal funds. For urbanized areas under 200,000 in population, the funds are apportioned to the Governor of each State for distribution. A few areas with less than 200,000 in population have been designated as transportation management areas at the request of the Governor and the MPO; those areas also receive apportionments directly. Guidance for Section 5307 is found in the most recent version of FTA Circular 9030.1.

- c. Nonurbanized Area Formula Program (Section 5311). This program provides formula funding to States for the purpose of supporting public transportation in population areas of less than 50,000. It is apportioned in proportion to each State's nonurbanized population. Funding may be used for capital, operating, State administration, and project administration expenses. Each State prepares an annual program of projects (POP), which must provide for fair and equitable distribution of funds within the States, including Indian reservations, and must provide for maximum feasible coordination with transportation services assisted by other Federal sources.

Funds may be used for capital, operating, and administrative assistance to State agencies, local public bodies, and non-profit organizations (including Indian tribes and groups), and operators of public transportation services. The State must use 15 percent of its annual apportionment to support intercity bus service, unless the Governor certifies that these needs of the State are adequately met. Projects to meet the requirements of the Americans with Disabilities Act (ADA), the Clean Air Act (CAA), or bicycle access projects, may be funded at 90 percent Federal match. The maximum FTA share for operating assistance is 50 percent of the net operating costs. Guidance for Section 5311 is found in the most recent version of FTA Circular 9040.1.

- d. Capital Program (Section 5309). The Section 5309 Capital Investment Grants Program funds three different programs: (1) fixed guideway modernization in areas with populations over 200,000 with fixed guideway segments at least seven years old (based on a formula); (2) construction and extension of new fixed guideway systems (a.k.a New Starts and Small Starts Program); and, (3) purchase of bus and bus related

equipment and facilities in both urbanized and nonurbanized areas (a.k.a. Bus and Bus Facility Discretionary Program). States and local governmental authorities are eligible applicants for Section 5309 funds. States may apply for Section 5309 bus grants on behalf of private non-profit agencies, private providers of public transportation services, and public subrecipients.

Many States look to the Bus Capital Program to supplement vehicles acquired under Section 5310 and Section 5311 or to construct facilities. While distribution of capital program funds is often determined according to congressional direction, FTA encourages States to apply on behalf of nonurbanized areas.

Guidance for Section 5309 is found in the most recent version of FTA Circular 9300.1.

- e. Transit Cooperative Research Program (TCRP) (Section 5313). This program promotes operating effectiveness and efficiency in the public transportation industry by conducting practical, near-term research designed to solve operational problems, adopt useful technologies from related industries, and introduce innovation that provides better customer service. TCRP products, such as transit security guidelines, new transit paradigms, transit industry best practices, and new planning and management tools, as well as forums for the exchange of ideas, are being used to develop and equip a quality transit workforce with the resources necessary to meet new challenges and opportunities.

The Transportation Research Board (TRB), which administers the TCRP, maintains a publication's list and description of all TCRP projects on its website. TCRP products are available online at the TRCP website, where single hard copies may also be ordered without charge.

Research problem statements are solicited annually from the transit community. TRB awards competitive contracts for research and synthesis studies of current best practices. The TCRP Oversight and Project Selection Committee selects the highest priority problems to be addressed and designates funds for conducting the research.

TCRP is sponsored by FTA and carried out under a three-way agreement among the National Academy of Sciences, acting through the TRB; the Transit Development Corporation, the educational and research component of the American Public Transportation Association (APTA); and FTA. Funds are allocated by transit industry consensus through TRB.

- f. Elderly Individuals and Individuals with Disabilities (Section 5310). This program provides formula funding to States for the purpose of assisting private non-profit groups in meeting the transportation needs of the elderly and persons with disabilities when the transportation service provided is unavailable, insufficient, or inappropriate to meeting these needs. Funds are apportioned based on each State's share of population for these groups of people.

Funds are obligated based on the annual POP included in a statewide grant application. The State agency ensures that local applicants and project activities are eligible and in compliance with Federal requirements, that private not-for-profit transportation providers have an opportunity to participate as feasible, and that the program provides for as much coordination of federally-assisted transportation services, assisted by other Federal sources. Once FTA approves the application, funds are available for State administration of its program and for allocation to individual subrecipients within the State.

Guidance for Section 5310 is found in the most recent version of FTA Circular 9070.

- g. Job Access and Reverse Commute Program (Section 5316). The Safe, Accountable, Flexible, Efficient, Transportation Equity Act: A Legacy for Users (SAFETEA-LU) changed the Job Access and Reverse Commute Program (JARC) from a discretionary program to be administered at the national level by FTA to a formula program. Hence, FTA apportions JARC funds directly to large urbanized areas. FTA apportions JARC funds to the States for small urbanized and nonurbanized areas.

The JARC program provides assistance for public transportation projects that develop and maintain transportation services that transport welfare recipients and eligible low income people to and from jobs and to and from activities that pertain to their employment. “Reverse commute” public transportation projects are also eligible for JARC funding. Reverse commute projects are those that transport residents of urbanized areas and residents of other than urbanized areas to suburban employment opportunities.

The Federal share is 80 percent of capital costs and 50 percent of operating costs. A recipient of JARC funds may use income from services the recipient provides under contract and may use funds from other Federal agencies as the local matching share of a JARC project. A recipient may use up to 10 percent of its JARC apportionment to administer the program, plan, and provide technical assistance.

With respect to JARC funds apportioned to a State, the State must conduct a statewide solicitation for JARC project applications. The State must certify to the following three factors: (1) projects selected were derived from a locally developed, coordinated public transit-human services transportation plan; (2) the plan was developed through a process that included representatives of public, private, and not-for-profit transportation and human service providers, and included participation by the public, and (3) allocations to subrecipients, if any, are distributed on a fair and equitable basis. JARC funds may be used to support extended service hours or routes that are necessary to allow low-income riders access to employment and employment-related activities.

Guidance for the JARC program can be found in the most recent version of FTA Circular 9050.1.

- h. New Freedom Program (Section 5317). SAFETEA–LU added the New Freedom Program. The New Freedom Program provides new public transportation services and public transportation alternatives beyond those required by the ADA to assist individuals with disabilities with transportation, including transportation to and from jobs and employment support services.

Of the total amount of New Freedom funds authorized, SAFETEA–LU requires FTA to apportion 20 percent of the New Freedom funds to States for projects in other than urbanized areas, and 20 percent to States for projects in urbanized areas with a population of less than 200,000. A State may use up to 10 percent of its New Freedom apportionment to administer the program, plan, and provide technical assistance.

New Freedom funds may be used to assist areas in expanding ADA paratransit service beyond three-fourths of a mile.

Guidance for the New Freedom Program can be found in the most recent version of FTA Circular 9045.1.

- i. Alternative Transportation in the Parks and Public Lands (ATPPL)(Section 5320). The Alternative Transportation in the Parks and Public Lands (ATPPL) program, 49 U.S.C. Section 5320, is newly established by SAFETEA–LU. Its purpose is to enhance the protection of national parks and Federal lands, and increase the enjoyment of those visiting them. The program makes available FTA assistance toward capital and planning expenses in projects designed to improve alternative transportation systems in parks and public lands. Eligible applicants are Federal land management agencies and State, tribal, and local governments with jurisdiction over land in the vicinity of an eligible area. Section 5307 funds may complement ATPPL projects. For example, a National Park Service historic site may exist within an urbanized area. All applicants for funds under the parks program must have the consent of a Federal land management agency. FTA carries out the program in consultation with the Department of the Interior and other Federal land management agencies. Applicants must submit an application in a competitive selection process established by FTA and the Federal land management agencies. The Secretary of the Interior, after consultation with and in cooperation with the Secretary of Transportation, determines the final selection of qualified projects and the funding levels.
- j. Clean Fuels Grant Program (Section 5308). SAFETEA–LU amended 49 U.S.C. Section 5308 and changed this program from a formula-based program to a discretionary grant program. This program assists in financing the acquisition of clean-fuel buses and clean-fuel related facilities for agencies providing public transportation and operating in an urbanized area designated as a non-attainment area for ozone or carbon monoxide under Section 107(d) of the Clean Air Act (CAA), 42 U.S.C. Section 7407(d), or a maintenance area for ozone or carbon monoxide. Eligible grant recipients are designated recipients as defined in 5307(a)(2), an urbanized areas over 200,000 in population, and States for urbanized areas with populations of less than 200,000, for

areas that are designated as non-attainment areas for ozone or carbon monoxide under Section 107(d) of the Clean Air Act (CAA), 42 U.S.C. Section 7407(d); or are maintenance areas for ozone or carbon monoxide. Nonurbanized areas are not eligible recipients under this program.

Eligible projects include the following: the purchase or lease of clean-fuel buses, the construction or lease of clean-fuel electrical-recharging facilities, and improvement of existing facilities to accommodate clean-fuel buses. In addition, clean-fuel, bio-diesel, hybrid-electric, or zero-emissions-technology buses that exhibit emissions reductions equivalent or superior to existing clean-fuel or hybrid-electric technologies may be eligible at FTA's discretion, provided that the Administrator of the Environmental Protection Agency (EPA) has certified the project sufficiently reduces harmful emissions. Section 5308 states that not more than 25 percent of the amount authorized for this program may be used for clean-diesel projects. FTA has implemented this program through a rulemaking to revise 49 CFR Part 624. The final rule was published in the Federal Register (72 FR 15049, March 30, 2007).

Applications are requested through a notice in the Federal Register in each fiscal year that discretionary funds are appropriated by Congress for the program. Grants under this program are subject to the applicable requirements of 49 U.S.C. Section 5307.

3. RESPONSIBILITIES OF GRANT MANAGEMENT. Grantees are responsible for the day-to-day management of their Federal grants and of grant supported activities. FTA monitors grants and federally-funded projects to confirm that grantees establish and follow procedures that comply with Federal requirements. Chapter III of this circular describes the mechanics and requirements for grant administration and Chapter IV describes the requirements for managing federally-funded projects.
 - a. Grantee's Role. Grantees must monitor grant supported activities to ensure compliance with applicable Federal requirements. This includes the administration and management of the grant in compliance with the Federal regulations, Grant Agreement and applicable FTA circulars. Grantees also are responsible for funds that "pass through" to a subrecipient. In general, submission of Annual Certifications and Assurances stands in lieu of detailed FTA oversight before approval of a grant; however, the results of ongoing or routine FTA oversight activities will also be considered as applicable. Annual independent audits for grantees of Urbanized Area Formula Program funds and other recurring and specialized reviews give FTA an opportunity to verify the grantee's Certifications and Assurances (see Oversight Chapter). The grantee's responsibilities include actions that:
 - (1) Demonstrate legal, financial, and technical capacity to carry out the program, including safety and security aspects of the program.
 - (2) Provide administrative and management support of project implementation.

- (3) Provide, directly or by contract, adequate technical inspection and supervision by qualified professionals of all work in progress.
- (4) Ensure conformity to Grant Agreements, applicable statutes, codes, ordinances, and safety standards.
- (5) Maintain the project work schedule agreed to by FTA and the grantee and monitor grant activities to assure that schedules are met and other performance goals are achieved.
- (6) Keep expenditures within the latest approved project scope.
- (7) Ensure compliance with FTA and Federal requirements on the part of agencies, consultants, contractors, and subcontractors working under approved third party contracts or inter-agency agreements.
- (8) Request and withdraw Federal funds for eligible activities only in amounts and at times as needed to make payments that are due and payable within three business days and retain receipts to substantiate withdrawals.
- (9) Account for project property and maintain property inventory records that contain all the elements required.
- (10) Demonstrate and retain satisfactory continuing control over the use of project property.
- (11) Demonstrate procedures for asset management and adequate maintenance of equipment and facilities.
- (12) Ensure that an annual independent organization-wide audit is conducted in accordance with Office of Management and Budget (OMB) Circular, A-133, "Audits of States, Local Governments, and Non-Profit Organizations."
- (13) Prepare force account and cost allocation plans and submit and obtain approval if applicable before incurring costs.
- (14) Prepare and submit FTA required reports (see Reporting Requirements).
- (15) Update and retain FTA required reports and records for availability during audits or Oversight reviews.
- (16) Ensure that effective control and accountability is maintained for all grant and subgrants, cash, real and personal property, and other assets. Grantees and subgrantees must ensure that resources are properly used and safeguarded, and that it is used solely for authorized purposes.

- b. FTA Role. FTA Headquarters in Washington, DC, serves a broad, program level role in the administration of the programs. FTA Headquarters:
 - (1) Provides overall policy and is primarily responsible for policy and program guidance for all FTA programs; ensures that programs are consistent with the law.
 - (2) Ensures consistent administration of programs by regional and metropolitan offices.
 - (3) Prepares and publishes annual apportionment of funds to the States and designated grantees.
 - (4) Develops and implements financial management procedures.
 - (5) Initiates and manages program-support activities, such as training, courses, regional consistency, and Oversight reviews.
 - (6) Conducts national program reviews and evaluations.
 - (7) Carries out responsibility for national compliance with program requirements.
 - c. FTA regional and metropolitan offices are responsible for the day-to-day administration of grants, projects, and programs. Regional and metropolitan staff:
 - (1) Review and approve grant applications, grant amendments, and budget revisions, as necessary.
 - (2) Obligate and deobligate funds.
 - (3) Work with grantees to implement and manage the programs and projects and ensure grantee compliance.
 - (4) Provide technical assistance.
 - (5) Receive designated grantee's certifications and amendments to the POP.
 - (6) Review Milestone Progress Reports and Financial Status Reports, monitor, and close grants.
 - (7) Conduct triennial reviews and other reviews as necessary.
4. CIVIL RIGHTS REQUIREMENTS. The recipient agrees to comply with all applicable civil rights statutes and implementing regulations including, but not limited to, the following:
- a. Nondiscrimination in Federal Transit Programs. The recipient agrees to comply, and assures the compliance of each third party contractor at any tier and each subrecipient

at any tier under the project, with the provisions of 49 U.S.C. 5332. These provisions prohibit discrimination on the basis of race, color, creed, national origin, sex, or age and prohibit discrimination in employment or business opportunity.

- b. Nondiscrimination—Title VI. The recipient agrees to comply, and assures the compliance of each third party contractor at any tier and each subrecipient at any tier of the project, with all of the following requirements under Title VI of the Civil Rights Act of 1964:
- (1) Title VI of the Civil Rights Act of 1964, as amended (42 U.S.C. 2000d et seq.), provides that no person in the United States shall, on the ground of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance;
 - (2) DOT regulations, “Nondiscrimination in Federally-Assisted Programs of the Department of Transportation—Effectuation of Title VI of the Civil Rights Act,” 49 CFR Part 21;
 - (3) The current FTA Circular 4702.1 “Title VI and Title VI—Dependent Guidelines for Federal Transit Administration Recipients.” This document provides FTA recipients and subrecipients with guidance and instructions necessary to carry out Department of Transportation’s (DOT’s) Title VI regulations (49 CFR Part 21) and to integrate into their programs and activities considerations expressed in the Department’s Order on Environmental Justice (Order 5610.2), and Policy Guidance Concerning Recipients’ Responsibilities to Limited English Proficient (“LEP”) Persons (70 FR 74087, December 14, 2005);
 - (4) DOT Order to Address Environmental Justice in Minority Populations and Low-Income Populations. This Order describes the process that the Office of the Secretary of Transportation and each operating administration will use to incorporate environmental justice principles (as embodied in Executive Order 12898 on Environmental Justice) into existing programs, policies, and activities; and
 - (5) DOT Policy Guidance Concerning Recipients’ Responsibilities to Limited English Proficient (LEP) Persons. This guidance clarifies the responsibilities of recipients of Federal financial assistance from DOT and assists them in fulfilling their responsibilities to limited English proficient (LEP) persons, pursuant to Title VI of the Civil Rights Act of 1964 and implementing regulations.
- c. Equal Employment Opportunity. The recipient agrees to comply, and assures the compliance of each third party contractor and each subrecipient at any tier of the project, with all equal employment opportunity (EEO) requirements of Title VII of the Civil Rights Act of 1964, as amended, (42 U.S.C. 2000e), and 49 U.S.C. 5332 and any implementing requirements FTA may issue.

- d. Nondiscrimination on the Basis of Sex. The recipient agrees to comply with all applicable requirements of Title IX of the Education Amendments of 1972, as amended, (20 U.S.C. 1681 et seq.), with implementing DOT regulations, “Nondiscrimination on the Basis of Sex in Education Programs or Activities Receiving Federal Financial Assistance,” 49 CFR Part 25, and with any implementing directives that DOT or FTA may promulgate, which prohibit discrimination on the basis of sex.
- e. Nondiscrimination on the Basis of Age. The recipient agrees to comply with all applicable requirements of the Age Discrimination Act of 1975, as amended, (42 U.S.C. 6101 et seq.), and implementing regulations, which prohibit employment and other discrimination against individuals on the basis of age.
- f. Nondiscrimination on the Basis of Disability. The recipient agrees to comply, and assures the compliance of each third party contractor and each subrecipient at any tier of the project, with the applicable laws and regulations, discussed below, for nondiscrimination on the basis of disability.
 - (1) Section 504 of the Rehabilitation Act of 1973 (Section 504), as amended (29 U.S.C. 794), prohibits discrimination on the basis of disability by recipients of Federal financial assistance.
 - (2) The Americans with Disabilities Act of 1990 (ADA), as amended (42 U.S.C. Section 12101 et seq.), prohibits discrimination against qualified individuals with disabilities in all programs, activities, and services of public entities, as well as imposes specific requirements on public and private providers of transportation.
 - (3) DOT regulations implementing Section 504 and the ADA include 49 CFR Parts 27, 37, and 38. Among other provisions, the regulations specify accessibility requirements for the design and construction of new transportation facilities; require that vehicles acquired (with limited exceptions) be accessible to and usable by individuals with disabilities, including individuals using wheelchairs; require public entities, including a private non-profit entity “standing in the shoes” of the State as a subrecipient providing fixed-route service, to provide complementary paratransit service to individuals with disabilities who cannot use the fixed-route service; and include service requirements intended to ensure that individuals with disabilities are afforded equal opportunity to use transportation systems.
 - (4) In addition, recipients of any FTA funds should be aware that they also have responsibilities under Titles I, II, III, IV, and V of the ADA in the areas of employment, public services, public accommodations, telecommunications, and other provisions, many of which are subject to regulations issued by other Federal agencies.
- g. Disadvantaged Business Enterprise (DBE). To the extent required by Federal law, regulation, or directive, the recipient agrees to take the following measures to facilitate participation by DBEs:

- (1) Disadvantaged Business Enterprises (DBE). Section 1101(b) of SAFETEA-LU requires FTA to make available at least 10 percent of its funding under that Act for contracts with small businesses concerns owned and controlled by socially and economically disadvantaged people. Each FTA recipients assists FTA in meeting this national goal. Grantees must comply with applicable requirements of DOT regulations, “Participation by Disadvantaged Business Enterprises in Department of Transportation Financial Assistance Programs,” 49 CFR Part 26, (DBE regulations), in order to receive FTA funding. Contracts funded in whole or in part with FTA funds and subject to FTA’s procurement rule are also subject to the grantee’s DBE Program and are included to extent of FTA funding in determining (i) whether the grantee meets the DBE threshold for goal setting; and, (ii) the goal if the threshold is met..
- (2) The recipient agrees and assures that it will comply with DOT regulations, “Participation by Disadvantaged Business Enterprises in Department of Transportation Financial Assistance Programs,” 49 CFR Part 26. Among other provisions, this regulation requires recipients of DOT Federal financial assistance meeting a threshold funding level, namely State and local transportation agencies, to establish goals for the participation of disadvantaged entrepreneurs and certify the eligibility of DBE firms to participate in their DOT-assisted contracts.
- (3) The recipient agrees and assures that it shall not discriminate on the basis of race, color, sex, national origin, or disability in the award and performance of any third party contract, or subagreement supported with Federal assistance derived from DOT or in the administration of its DBE program and will comply with the requirements of 49 CFR Part 26. The recipient agrees to take all necessary and reasonable steps set forth in 49 CFR Part 26 to ensure nondiscrimination in the award and administration of all third party contracts and subagreements supported with Federal assistance derived from DOT. As required by 49 CFR Part 26 and approved by DOT, the recipient’s DBE program is incorporated by reference and made part of the Grant Agreement or Cooperative Agreement. The recipient agrees that implementation of this DBE program is a legal obligation, and that failure to carry out its terms shall be treated as a violation of the Grant Agreement or Cooperative Agreement. Upon notification DOT to the recipient of a failure to implement its approved DBE program, DOT may impose sanctions as provided for under 49 CFR Part 26 and may, in appropriate cases, refer the matter for enforcement under 18 U.S.C. 1001, and/or the Program Fraud Civil Remedies Act, (31 U.S.C. 3801 et seq).

For further guidance, refer to the Federal laws, regulations, and Executive Orders cited in this chapter. FTA’s regional civil rights officers or headquarters civil rights staff will also provide current guidance on request.

5. CROSS-CUTTING REQUIREMENTS. The grantee understands and agrees that it must comply with all applicable Federal laws, regulations, and directives, except to the extent

that FTA determines otherwise, in writing. Refer to FTA's Master Agreement for a list of applicable laws, regulations, and directives. FTA updates the Master Agreement annually.

CHAPTER III

GRANT ADMINISTRATION

1. OVERVIEW. This chapter discusses the mechanics and requirements for post-award grant administration. Project management requirements are described in Chapter IV. The following sections emphasize the requirements associated with administering and managing a grant after the grant has been awarded and executed in the Transportation Electronic Award and Management (TEAM) system.
2. GRANT APPLICATION PROCESS. The Federal Transit Administration's (FTA's) pre-award, program-specific circulars describe the grant application process and requirements. Refer to these circulars for instructions for completing a grant application. For a full listing of FTA program circulars, please visit www.fta.dot.gov.

FTA provides a streamlined electronic interface between grantees and FTA that allows complete electronic grant application submission, review, approval, and management of all grants. This is done through a Web-based electronic system, commonly known as "TEAM." Among other things, grantees apply for grants, inquire about the status of grants, file the required financial status and milestone progress reports, and submit annual Certifications and Assurances in TEAM.

The TEAM Project Life Cycle is as follows:

- a. Project application created,
- b. Project number assigned,
- c. Signoffs and Approvals,
- d. Operating budget money is reserved,
- e. Project awarded,
- f. Project award executed,
- g. Project managed, and
- h. Project closed.

FTA notifies grantees of grant approval electronically in TEAM. The Grant Agreement includes the notification of award and the approved project budget. Special conditions of the approval may be included in the award, the current version of the Master Agreement, the electronic grant (screen), or the conditions for using pre-award authority if applicable. In certain cases, pre-award authority may be available for incurring project-related costs prior to approval of an application.

Once a grantee receives the notification of grant award, the grantee executes the grant in TEAM. The electronic execution of the Grant Agreement signifies the grant is active and post-award grant requirements apply.

3. REPORTING REQUIREMENTS. Once a grant is active, a grantee may be subject to one or more of the following types of post-award reporting requirements. The reporting requirements may vary depending on the size of the grantee, the type of funding, or the amount of funding a grantee receives. Please contact the regional or metropolitan office if there are questions regarding the applicability of the following reporting requirements.
 - a. Financial Status and Milestone/Progress Reports. FTA monitors grant activities to ensure proper grantee stewardship of Federal funds and compliance with the laws and regulations that govern its grant programs. FTA must also be able to report on program results, industry trends, and its own oversight responsibilities. The information FTA needs for program forecasting, management, and reporting is furnished through financial status reports and narrative Milestone/Progress Reports (MPRs) submitted by grantees about significant events, relevant grant activities, and any changes to or variances in the grant schedule or budget.

With respect to the level of detail required for these reports, FTA treats all approved activity line items (ALIs) alike. Thus, an activity contained in a grant must be presented in the reports in sufficient detail that important information is not lost in aggregation. For example, the number of full-sized buses in a grant must not be reported together with vans under the scope “rolling stock,” but instead should be reported separately under the applicable ALI. FTA staff is available to meet with grantees to agree on the appropriate level of reporting detail. This will ensure that FTA has the information needed to manage its overall program.

All grantees are expected to report significant developments or changes as they occur during the year, including any problems, delays, or adverse conditions that may materially impair the ability to meet the objective of the award, and any favorable developments that may enable meeting time schedules and objectives sooner or at a cost substantially less than expected Financial Status Reports.

Payment may be withheld for failure to submit either financial or milestone progress reports in a timely manner. In individual cases, FTA may grant extensions of report due dates for good cause.

Report due dates and additional information about the financial status and milestone progress reports are described below. Please contact your regional or metropolitan office for questions regarding any of these reports.

- (1) Report Due Dates.

- (a) Grantees located in urbanized areas over 200,000 population. Financial Status Reports (FSRs) and MPRs are due to FTA within 30 days after the end of each calendar quarter, i.e., by January 30, April 30, July 30, and October 30.
 - (b) Grantees located in urbanized areas under 200,000 population. Grantees in areas with less than 200,000 in population submit FSRs and MPRs annually. Annual reports are due October 30th, one month after the Federal fiscal year ends. The FTA regional or metropolitan office may request more frequent reporting or additional reports if circumstances warrant additional reporting.
- (2) Financial Status Report (FSR). The FSR must be submitted for all active/executed grants. The requirement for an FSR applies to all FTA grants covered by this circular. The FSR accompanies the MPR (described below) and is used to monitor project funds. The purpose of the FSR is to provide a current, complete and accurate financial picture of the project. This report is submitted electronically in TEAM. Procedures for submitting the report are described in the TEAM User Guide and are available from the FTA regional and metropolitan offices. Please note that when applicable, grantees are required to report unliquidated obligations on the FSR (Line D). Unliquidated obligations are funding commitments that have been incurred, but for which outlays have not yet been recorded because goods and services have not been received. If there are awarded contracts for which deliverables have yet to occur, the dollar amount associated with the undelivered portion of those contracts should be represented as unliquidated obligations. In addition, grantees should provide narrative comments in the “Comments” screen of the FSR indicating for what expended funds have been used. For example, if the grantee expended \$10,000 in a reporting period, a comment should be inserted to the effect, “FY07, QTR III: We requested funds in the amount of \$6,000 for office equipment (ALI: 11.XX.XX) and \$4,000 for associated capital maintenance items (ALI: 11.XX.XX).” Comments describing the financial expenditures should correspond to the activities completed during a reporting period.

The following elements are essential in financial reports by grantees:

- (a) All financial facts (e.g. expenditures and obligations) relating to the scope and purpose of each financial report and applicable reporting period should be completely and clearly displayed in the reports.
- (b) Reported financial data should be accurate and up to date. The requirement for accuracy does not rule out inclusion of reasonable estimates when precise measurement is impractical, uneconomical, unnecessary, or conducive to delay.
- (c) Financial reports should be based on the required supporting documentation maintained in the grantee’s official financial management system that produces information which objectively discloses financial aspects of events or transactions.

- (d) Financial data reported should be derived from accounts that are maintained on a consistent, periodic basis; material changes in accounting policies or methods and their effect must be clearly explained.
 - (e) Reporting terminology used in financial reports to FTA should be consistent with receipt and expense classifications included in the latest approved project.
 - (f) Financial reports must be submitted on the accrual basis of accounting.
- (3) Milestone/Progress Reports. The MPR must be submitted for all active/executed grants. The requirement for a MPR applies to all FTA grants covered by this circular. The MPR is the primary written communication between the grantee and FTA. This report should be submitted electronically in TEAM. Procedures for submitting the report are described in the TEAM User Guide and are available from FTA regional and metropolitan offices. If only operating assistance is included in the grant, the reporting requirements are limited to the estimated and actual dates when all funding has been expended. Each MPR must include the following data as appropriate:
- (a) Current status of each open activity line item within the approved grant.
 - (b) Detailed discussion of all budget or schedule changes.
 - (c) The dates of expected or actual requests for bid, delivery, etc.
 - (d) Actual completion dates for completed milestones.
 - (e) Revised estimated completion dates when original estimated completion dates are not met.
 - (f) Explanation of why scheduled milestones or completion dates were not met, identification of problem areas and narrative on how the problems will be solved. Discussion of the expected impacts and the efforts to recover from the delays.
 - (g) A narrative description of projects, status, specification preparation, bid solicitation, resolution of protests, and contract awards.
 - (h) Analysis of significant project cost variances. Completion and acceptance of equipment and construction or other work should be discussed, together with a breakout of the costs incurred and those costs required to complete the project. Use quantitative measures, such as hours worked, sections completed, or units delivered.

- (i) A list of all outstanding claims exceeding \$100,000, and all claims settled during the reporting period. This list should be accompanied by a brief description, estimated costs, and the reasons for the claims.
- (j) A list of all potential and executed change orders and amounts exceeding \$100,000, pending or settled, during the reporting period. This list should be accompanied by a brief description.
- (k) A list of all real property acquisition actions, including just compensation, administrative settlements, and condemnation for each parcel during the reporting period.

Depending on project complexity, at its discretion, FTA may also request other special reports or quarterly project management meetings.

- b. Transit Enhancement Reports. Transit Enhancement Reports must be submitted by grantees with population areas of 200,000 and above who receive funds under the Urbanized Area Formula Program (Section 5307). The term “transit enhancement” means projects that are designed to enhance public transportation service or use and are physically or functionally related to transit facilities. Recipients of these funds are required under Section 5307(d)(K)(ii) to submit a report listing the projects carried out during the previous fiscal year with those funds to include the amounts expended. This report is to be submitted as a narrative attachment to the electronic 4th quarter MPR in TEAM. Certification that this report has been submitted is required as part of the Annual List of Certifications and Assurances.
- c. Civil Rights Reports. Grantees must submit, on a triennial basis, a report on their compliance with the objectives of the most recent version of Circular 4702.1, “Title VI and Title VI Dependent Guidelines for FTA Recipients.” This circular provides details on the contents of compliance reports. Grantees covered under FTA’s Equal Employment Opportunity (EEO) Circular must submit triennial reports on their compliance with this circular. Grantees covered under FTA’s Disadvantaged Business Enterprise (DBE) regulations must submit annual DBE goals to FTA by August 1 of each year. Reports and goals are submitted to the Regional Civil Rights Officer. See paragraph (1) and (2) below for applicability of these two reporting requirements. Grantees must also submit semi-annual DBE progress reports to the Regional Office.
 - (1) Equal Employment Opportunity (EEO). FTA’s EEO program reporting requirements apply to transit agencies employing 50 or more people and receiving \$1 million or more of FTA assistance.
 - (2) Disadvantaged Business Enterprise (DBE). FTA’s DBE goal setting requirements apply to grantees who will award prime contracts (excluding vehicle purchases) exceeding \$250,000 in FTA funds in any given fiscal year. These grantees are required to provide DBE goals to FTA on an annual basis.

- d. Reports of Significant Events. Unforeseen events that impact the schedule, cost, capacity, usefulness, or purpose of the project should be reported to FTA immediately after detection and then reflected in the next quarterly progress report. Special reports should be submitted when:
- (1) Problems, delays, or adverse conditions will affect the grantee's ability to achieve project objectives within the scheduled time period or within the approved project budget. The report should discuss actions taken and/or contemplated and any Federal assistance needed to resolve the situation; or
 - (2) Favorable developments will enable the grantee to achieve project goals/complete project activities ahead of schedule or at lower cost.
- e. National Transit Database (NTD) Reporting. The NTD is FTA's primary national database for statistics on the transit industry. The NTD is the system through which FTA collects uniform data needed by the Secretary of Transportation to administer department programs. The data consist of selected financial and operating data that describe public transportation characteristics. Recipients of FTA Urbanized Area Formula Program (Section 5307) and Nonurbanized Area Formula Program (Section 5311) are required by statute to submit data to the NTD.

The legislative requirement for the NTD is found in 49 U.S.C. 5335(a). The most recent versions of FTA Circulars 2710.1 and 2710.2 contain a description of the system for collecting, recording, and reporting passenger mile data in accordance with the Uniform System of Accounts (USOA).

- (1) Annual Reports. Recipients of FTA Urbanized Area Formula Program (Section 5307) and Nonurbanized Area Formula Program (Section 5311) are required by statute to submit data to the NTD annually.
 - (a) Annual Report. Grantees must collect, record, and report financial and non-financial data in accordance with USOA and update this information with the NTD annually. The National Transit Database Reporting Manual, published by FTA each year, contains specific reporting instructions. The reporting manual can be found on FTA's NTD website at <http://www.ntdprogram.gov/ntdprogram/>.
 - (b) Safety and Security Report. Grantees that are required to submit annual NTD reports must also file safety and security reports. The NTD safety and security report consists of a series of forms that summarize transit-related safety and security incidents for the calendar year. Annual NTD reports are submitted to Congress summarizing transit service and safety data.
 - (c) Due Dates. NTD report submission deadlines are set by the end of the grantee's fiscal year. The due dates are October 28 for fiscal years ending between January 1 and June 30; January 28 for fiscal years ending between

July 1 and September 30; and April 30 for fiscal years ending between October 1 and December 31.

- (d) Exceptions. A grantee that operates no more than nine vehicles in peak service at any time during the year may request a waiver from filing a complete NTD report. This waiver does not apply to fixed guideway service. The grantee must base its waiver request on all fleets and annual maximum service levels. The nine or fewer vehicle waivers and the reporting waivers must be requested and approved by FTA for every reporting year. FTA does not grant permanent waivers from reporting.

In very unusual circumstances, the grantee may request and FTA may grant a waiver from either some or all of the NTD reporting requirements.

- (2) Monthly Ridership Reports. Grantees that receive or benefit from Urbanized Area Formula Program funds must submit or coordinate the submittal of the Monthly Ridership report in addition to the annual NTD report.

The Monthly Ridership report consists of a series of forms that collect monthly ridership data providing FTA with monthly trends in ridership throughout the year. It must contain all the public transportation service, including complementary paratransit services required by the Americans with Disabilities Act of 1990 (ADA), which the transit agency provides or purchases. Instructions for submitting the monthly ridership data can also be found online on the NTD website.

- f. Annual Single Audit. Non-Federal entities that expend \$500,000 or more in Federal awards in a year are required to conduct an annual organization-wide audit in accordance with Office of Management and Budget (OMB) Circular A-133.

- (1) Requirement. The audit must be completed within nine months of the end of the grantee's fiscal year. In addition to the copies required to be submitted to the Federal Clearinghouse and depending upon the results of the audit, grantees are required to take one of the following reporting actions:
 - (a) If the single audit contains FTA program findings, a copy of the entire audit report must be submitted to the regional or metropolitan office. If the audit report contains findings related to another Department of Transportation (DOT) program and FTA is the grantee's point-of-contact for DBE program issues, then the grantee must also submit the entire audit report to the regional or metropolitan office.
 - (b) If the annual audit report contains no FTA program findings or other DOT program findings, a copy of ONLY the Federal Clearinghouse transmittal sheet (SF-SAC) must be submitted to the FTA regional or metropolitan office.

Annual Single Audits are described in more detail in the Chapter VI, “Financial Management.”

4. GRANT MODIFICATIONS. At times, it may be necessary to modify a grant after it has been awarded by revising the budget or amending the grant. The grantee is responsible for controlling and monitoring all grant activities to ensure that they are carried out in accordance with the approved budget. Each grant program has specific requirements that are included in each program grant application circular that should be referenced before contemplating a grant modification. The manner in which a budget is initially structured during the grant application phase can facilitate or impede project management, particularly when unforeseen events require changes in the project.

There are three ways to modify a grant after it has been awarded—either through a budget revision, an administrative amendment, or a grant amendment. Whether a budget revision may be permitted (with or without prior FTA approval before incurring costs) or whether an amendment to the project will be necessary, depends on the effect of the proposed change on the scope of the project. FTA’s review of grant modifications will include a determination of whether or not the proposed change is significant enough to require Department of Labor (DOL) certification of Employee Protective Arrangements. Grantees should contact the FTA regional or metropolitan office for questions relating to grant modification requests, including which type of grant modification is appropriate for the proposed action.

Grant modifications are electronically submitted, reviewed, and approved in TEAM.

a. Budget Revision.

- (1) General. Budget revisions may be made as long as there is no change in the grantee, purpose, scope codes, and Federal funding of the grant, regardless of the fiscal year the funds were appropriated. Budget revisions must be consistent with the activities contained in an approved Statewide Transportation Improvement Program (STIP) and satisfy applicable National Environmental Policy Act (NEPA) requirements. Useful life of new activities must be addressed in the budget revision, as applicable.
- (2) Procedures. Grantees submit budget revisions in TEAM using the “Revise Project Budget” screen. Budget revision requests must include a reason for the revision. For each ALI being adjusted, either by quantity or dollar amount, grantees must include a brief explanation in the “Details” section for the change being requested. Incomplete budget revisions will be returned to the grantee by the FTA reviewer for inclusion of additional information. For assistance with completing budget revisions, please contact the FTA regional and metropolitan office.

Grantees may request budget revisions either before or after incurring costs, depending on the nature of the request. If the budget revision meets the criteria

outlined below in paragraph 3, FTA concurrence is required before incurring costs associated with the proposed change.

- (3) Budget Revisions that Require Prior Approval. Under certain circumstances, grantees must obtain FTA approval before incurring costs for proposed budget revisions. At times, FTA review of a proposed budget revision meeting the following criteria may result in a recommendation to complete a grant amendment. The FTA regional or metropolitan office will make this determination during their review.
- (a) The Federal share of the grant exceeds \$100,000 and the change in the cumulative amount of funds allocated to each scope from the originally approved scope exceeds 20 percent.
 - (b) Federal funds are transferred between ALIs with different Federal matching ratios, such as moving funds from a capital activity with a match ratio of 80/20 to an operating activity with a match ratio of 50/50. This activity also requires a financial purpose code (FPC) transfer. See paragraph (4) below.
 - (c) Changing the Federal share of an existing ALI; such as changing an ALI from 80/20 to 83/17 to account for compliance with ADA or Clean Air Act (CAA) requirements.
 - (d) For revenue rolling stock, when the budget revision changes the number of vehicles to be purchased by more than two units (for grants with fewer than 10 vehicles) or more than 20 percent from the quantity identified in the original grant.

If the change in the number of revenue rolling stock vehicles exceeds 20 percent, the revision must meet FTA's spare ratio requirements and should be supported by a bus fleet status report.

- (e) The budget revision changes the size or physical characteristics of the ALIs without changing the project scope.
- (f) The addition of an ALI to an existing scope included in the grant, provided that the request does not change the amount of Federal funds awarded in the original grant or change the scope of the project contained in the grant. The addition of an activity within an approved scope requires that the grantee affirm in the budget revision request that the new activity is consistent with the approved STIP and, if applicable, has satisfied NEPA requirements.

Note: If the addition of an ALI to an existing scope is added to move a facility project to the next phase of construction, the budget revision may be sent to DOL for informational purposes. In addition, FTA must confirm eligibility of the project to advance to the next phase of construction.

- (4) Financial Purpose Code Transfers. When a budget revision includes a transfer of funds between capital/operating/planning activities, an FPC change is required to be made by the FTA Project Manager before the grantee is able to draw funds for this purpose. Budget revisions with FPC transfers of any kind require prior FTA concurrence and Regional Office notification to FTA's Office of Accounting.
- (5) Examples. The following are examples of situations when a grantee might request a budget revision. Please note that if the examples below meet any of the criteria outlined above in paragraph (3), the grantee must request FTA concurrence before incurring the costs for the requested activities.
- (a) Budget revisions to existing ALIs. Grant AB-90-1234 includes a scope for vehicles (111-00) with the ALI to purchase 40' buses (11.12.01) and a scope for stations stops/terminals (113-00) with the ALI for construction of a bus terminal (11.33.01). The construction costs for the station are expected to be higher than originally anticipated and there is a surplus in the vehicle line item because the vehicle costs were less than anticipated. A grantee may request to move funds from ALI 11.12.01 to 11.33.01 to cover additional construction expenses. Following the process described in paragraph (2) and after determining if the request meets the threshold for prior FTA approval, the grantee may request to move the excess funds from 11.12.01 to 11.33.01.
- (b) Budget revisions that require an FPC transfer. Grant AB-90-1234 has an approved budget for \$250,000 in operating assistance (30.09.00) and \$50,000 for the purchase of vans (11.12.15). The grantee has \$5,000 remaining under operating assistance and would like to add the operating funds to the purchase of vans, a capital line item. This can be accomplished through a budget revision. The local share for the change would reflect the reduction from a 50 percent local match for the \$5,000 to \$2,500. The local match for the capital item would be 20 percent of \$5,000 or \$1,000. The result of the budget revision is an FPC transfer in TEAM completed by the FTA Project Manager going from (\$5,000) under FPC code 04 to + \$5,000 under FPC code 02. The local share was reduced by \$1,500 as a result of this budget revision. FPC transfers of any kind require prior FTA concurrence and Regional Office notification to FTA's Office of Accounting.
- (c) Adding an ALI to an existing scope. The scope for Stations Stops/Terminals exists in the grant and funds are allocated to acquire route signing (11.32.09). However, the grantee determines that the agency prefers to use the funds to construct passenger shelters (11.33.10), which is an activity within the scope 113-00. The grantee may request a budget revision to add the ALI—11.33.10 and shift the funds from 11.32.09 with prior FTA concurrence. In addition, the grantee must confirm that the approved STIP includes construction of bus shelters and applicable NEPA requirements have been satisfied.

- (6) Operating Assistance Changes. A grantee may use a budget revision to reflect time period changes, adjustments or extensions to the operating period provided the total amount of Federal funds previously awarded under the grant remains unchanged.

b. Administrative Amendment.

- (1) General. An administrative amendment is usually initiated by FTA and may only be used when no change will result in the scope, amount or purpose of the grant. An administrative amendment may be used to change or clarify the terms, conditions, or provisions of a Grant Agreement. An administrative amendment is also used to change the year or type of funds obligated for a grant, to transfer equipment from one grantee to another, to reflect a change in the grantee or grantee's name, or to deobligate Federal funds that are no longer needed to complete the approved project scope or purpose.

c. Grant Amendment.

- (1) General. A grant amendment is required when there is either a change in the scope or an addition of Federal funds to an existing grant. Grant amendments are subject to the same application requirements as a new grant request.
- (2) Procedures. Grantees submit grant amendments in TEAM using the "Create Amendment" screen. Grant amendments require a revised Grant Agreement, revised budget, and may require a change in the amount of funds obligated for the grant. An amendment is subject to the same requirements as a new grant request except that the grantee need not resubmit portions of the original grant application that are unaffected by the change. The grantee must submit a detailed description of the changes and a revised project budget. For example, in TEAM under the project Details section of the grant, grantees should include a header, "Amendment #1," and describe the reason for the amendment and the changes to the grant and budget.
- (3) Change of Scope. FTA requires a grant amendment if the request changes the scope of a grant. Examples and an exception to changes in scope that result in a grant amendment include:
 - (a) Examples.
 - 1 A change in the quantity of items to be purchased or constructed that materially change the purpose or intent of the approved grant.
 - 2 The addition of a new project scope code or the deletion a project scope code if the deletion affects the intent or objectives of the grant.

- 3 The addition of an ALI that results in an amendment to the approved Transportation Improvement Program (TIP)/STIP.
- (b) Exception.
- 1 For earmarks, all changes to the grant after award must be consistent with the original intent of the Congressional language. Your FTA Regional Office will assist you in making this determination. For example, if the earmark is for a facility, a grant amendment cannot be executed to add a scope for vehicles.
- (4) Change in Federal Funds. FTA requires a grant amendment if the request changes the total amount of Federal funds in the grant. The one exception is if the scope of a grant is unchanged and the only action is the deobligation of funds, an administrative amendment is used to process the grant modification. See paragraph b, “Administrative Amendment,” above.
5. GRANT CLOSE-OUT. Grant close-out is the term used to signify the process by which FTA determines that all activities in a grant are complete and Federal funds have been expended.
- a. Grantee’s Role and Responsibilities. The grantee must initiate close-out of a grant when all approved activities are completed and applicable Federal funds expended. All close-out documentation must be submitted within 90 days of the completion of all activities in the grant. This requires notifying FTA by letter or e-mail that the grant is ready for close-out. The grantee should electronically submit the following in TEAM as part of the grant close-out process:
- (1) a final budget reflecting actual project costs by scope and activity;
- (2) a final FSR;
- (3) a final narrative MPR indicating the actual completion date of each ALI, a discussion of each ALI contained in the final budget and list of project property purchased under the grant;
- (4) a request to deobligate any unexpended balance of Federal funds; and
- (5) any other reports required as part of the terms and conditions of the grant.
- b. Close-Out by FTA. FTA may unilaterally initiate grant close-out. Circumstances that could cause FTA to close-out a grant in whole or in part at any time before project completion include:
- (1) Grantee failure to comply with the terms or conditions of the Grant Agreement or other Federal requirement;

- (2) Continuation of the project would not produce results commensurate with further expenditure of funds;
 - (3) Funds are no longer needed to accomplish the grant purpose;
 - (4) Failure by the grantee to make reasonable progress to complete approved grant activities; or
 - (5) Determination that the project has been essentially completed and/or approved funds have been substantially drawn down.
- c. Adjustments to Federal Share of Costs. Necessary adjustments to the Federal share of cost are made after FTA receives and reviews the required close-out information. Adjustments may also be necessary after the audit required by OMB Circular A-133 is performed. FTA funds are not available for audit or other grant activities after a grant has been closed. Additional information on the A-133 audit is contained in Chapter VI, Financial Management. Any Federal grant funds received by the grantee but not expended must be returned to FTA. For more information on returning funds to FTA, see Chapter VI, Financial Management.

6. SUSPENSION AND TERMINATION.

- a. Suspension. The suspension of a grant is an action by FTA which temporarily suspends Federal assistance for a project pending corrective action by the grantee or pending a decision to terminate the grant by FTA. If FTA determines that the grantee has failed to comply with the terms and conditions of the Grant Agreement, including the civil rights requirements, FTA notifies the grantee in writing of its intent to suspend the grant. FTA may withhold further payments and/or prohibit the grantee from incurring additional obligations pending corrective action by the grantee or a decision to terminate the project for cause. This includes work being performed by third party contractors or consultants. Unless FTA notifies the grantee otherwise, suspension will not invalidate obligations properly incurred by the grantee prior to the date of suspension to the extent that they cannot be cancelled.
- b. Termination for Cause. FTA may terminate a grant, in whole or in part, at any time before project completion, whenever it determines that the grantee failed to comply with the conditions of the grant including failure to make reasonable progress. FTA will promptly notify the grantee in writing of its intent to terminate and the reasons therefore and the effective date. Payments made to the grantee or recoveries by FTA are in accordance with the terms of the Grant Agreement and the legal rights and liabilities of both parties as defined in the agreement.
- c. Termination for Convenience. FTA or the grantee may terminate a grant in whole or part, when both parties agree that continuation of the project would not produce results commensurate with the further expenditure of funds. By signing the Grant Agreement, the grantee agrees at the outset to a termination for convenience in the event FTA

makes such a finding. Both parties must agree upon the termination conditions, including the effective date and, in case of partial termination, the portions to be terminated. The grantee may not incur new obligations for the terminated portion after the effective date and must cancel as many outstanding obligations as possible. FTA evaluates each obligation to determine its eligibility for inclusion in project costs. Settlement is made in accordance with terms and conditions of the Grant Agreement. FTA allows full credit to the recipient for the Federal share of the obligations (that cannot be cancelled) properly incurred by the grantee prior to termination.

- d. Partial Termination. In some cases, FTA may deobligate funds in an approved grant before close-out because the funds are no longer needed to accomplish the grant purpose.

7. RETENTION AND ACCESS REQUIREMENTS FOR RECORDS.

- a. Applicability. This section applies to all financial and programmatic records, supporting documents, statistical records, and other records of grantees which are:
 - (1) Records required to be maintained by this circular or the terms of the Grant Agreement, or otherwise considered pertinent to FTA program requirements or the Master Agreement.
 - (2) Records executed electronically may be retained in that manner, but files must be accessible for possible review, audit, or down-loading to paper copy when required.
 - (3) This section does not apply to records maintained by contractors or subcontractors.
- b. Length of Retention Period.
 - (1) Except as otherwise specified, records must be retained for three years from the starting date specified in paragraph (c), below.
 - (2) If any litigation, claim, negotiation, audit, or other action involving the records has been started before the expiration of the three-year period, the records must be retained for three years after completion of the action and resolution of all issues which arise from it.
 - (3) To avoid duplicate record keeping, FTA may make special arrangements with grantees (including subgrantees, as appropriate) to retain any records which are continually needed for joint use. FTA will request transfer of records to its custody when it determines that the records possess long-term retention value. When the records are transferred to or maintained by FTA, the three-year retention requirement is not applicable to the grantee.

c. Starting Date of Retention Period.

- (1) General. The starting date for retention of records related to multi-year projects is the date of submission of the final FSR upon project completion or, if waived, the date it would have been due.
- (2) Equipment records. The retention period for the equipment records starts from the date of the equipment's disposition or replacement or transfer at FTA's direction.
- (3) Records for income transactions after grant close-out. In some cases, grantees must report income after a grant is closed out. Where there is such a requirement, the retention period for the records pertaining to the earning of the income starts from the end of the grantee's fiscal year in which the income is earned.
- (4) Indirect cost rate proposals, cost allocation plans and similar rate, and rate allocation methods. This paragraph applies to the following types of documents, and their supporting records: indirect cost rate computations or proposals, cost allocation plans, and any similar accounting computations or the rate at which a particular group of costs is chargeable (such as computer usage charge back rates or composite fringe benefit rates).
 - (a) If submitted for negotiation: If the proposal, plan, or other computation is required to be submitted to the Federal Government (or to the grantee) to form the basis for negotiation of the rate, then the three year retention period for its supporting records starts from the date of such submission.
 - (b) If not submitted for negotiation: If the proposal, plan, or other computation is not required to be submitted to the Federal Government (or to the grantee) for negotiation purposes, then the three year retention period for the proposal, plan, or computation and its supporting records starts from the end of the fiscal year (or other accounting period) covered by the proposal, plan, or other computation.
- (5) Contract Records. The retention period for all required contract records commences after the grantees or subgrantees make final payments and all other pending matters are closed. [Reference 49 CFR Part 18.36(i)(11)].

d. Substitution of Photocopies. Copies of documents may be substituted for the originals.

e. Access to Records.

- (1) Records of grantees and subgrantees. FTA, DOT Office of Inspector General, and the Comptroller General of the United States, or any of their authorized representatives, have the right of access to any books, documents, papers, or other records of the grantee which are pertinent to the grant, in order to perform audits, or make examinations, excerpts, or transcripts.

- (2) Expiration of right of access. The right of access in this section is not limited to the required retention period but continues as long as the records are retained.
- f. Restrictions on Public Access. The Federal Freedom of Information Act (FOIA)(5 U.S.C. 552) does not apply to grantee records owned and possessed by the grantee. Unless required by State or local law, grantees and subgrantees are not required to provide periodic public access to their records. However, FTA may request a grantee to provide access to those records the grantee maintains on behalf of FTA, (i.e., records required by Federal statute or regulation, such as Davis-Bacon wage records), or other records necessary to determine compliance with federal requirements established as conditions of eligibility for recipients of federal funding.

CHAPTER IV

PROJECT MANAGEMENT

1. **GENERAL**. Real Property, Equipment and Supplies, Rolling Stock, and Facilities purchased or constructed for project purposes must be managed, used, and disposed of in accordance with applicable laws and regulations. This chapter provides guidance on the management, use, and disposition of Federal Transit Administration (FTA) funded real property, equipment, supplies, rolling stock, and facilities.
2. **REAL PROPERTY**. Real property Must be acquired, managed, used and disposed of in accordance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (Uniform Act or URA) (PL 91–646) and 49 CFR Part 24, the implementing regulation. The following requirements govern the acquisition, use, or disposition of real property purchased with Federal funds. All regulatory references in this Section are to 49 CFR Part 24, unless specified otherwise.
 - a. **General**. If a grantee is using Federal funds to acquire real property or provide relocation assistance necessary to secure property for a project, the grantee must comply with the requirements in the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (Uniform Act or URA), as amended. The Uniform Act is implemented by regulation (49 CFR Part 24).

The objective of the Uniform Act is to ensure equitable treatment of property owners of real property to be acquired for Federal and federally-assisted projects; that people displaced by a federally-supported project be treated fairly, consistently, and equitably; and that acquiring agencies implement the regulations in a manner that is efficient and cost effective. The regulations implementing the Uniform Act are very specific in naming the means to achieve those legislated objectives.

FTA must review and concur in appraisals and review appraisals for acquisitions over \$500,000 or in-kind contribution of any value before Federal funds are expended or the value is used as local match. The requirements and processes for conducting appraisals, review appraisals, providing relocation assistance, and requesting FTA's concurrence are described in the paragraphs below.

To ensure eligibility for Federal funding, the grantee should follow the typical process sequence when acquiring real property for a project:

National Environmental Policy Act (NEPA) Approval → Title Search → Appraisal → Appraisal Review → Just Compensation Determination → FTA Concurrence (if required) → Offer to Owner → Settlement

- b. **Appraisal of Real Estate**.

- (1) General. Except as discussed below, an offer of just compensation will be established on the basis of a recent independently prepared appraisal that estimates a fair market value.
- (2) Appraisers. Appraisers must be certified or licensed with a State Appraisal Board as required by the URA regulations at Section 24.103(d)(2). However, staff employees may be exempt from this requirement. FTA recommends that appraisals and review appraisals be completed by appraisers experienced with State and Federal laws for valuing properties for public acquisitions under the threat of eminent domain. Appraisers and grantees making appraisal assignments should be familiar with the implementing regulations of the Uniform Act (49 CFR 24), especially Subpart B. State subrecipients may use the State's staff appraisers to prepare required independent appraisals and appraisal reviews.
- (3) Requirements. Appraisals must be fully compliant with all of the appraisal requirements as cited in Section 24.103(a). This includes compliance with the Scope of Work /defining the appraisal requirements and, as appropriate, a realty/personalty report. The appraiser will also appropriately address the requirements of Section 24.103 (b) and (c) in the report concerning the effects of project influence and owner retention of improvements.

Depending on the individual State Appraisal Board, certified/licensed appraisers may need to utilize the jurisdictional exception provisions of Uniform Standards of Professional Appraisal Practice (USPAP) in order to complete the assignment for a public agency in full compliance with the requirements of Section 24.103.

If the acquisition leaves the owner with an uneconomic remnant, the appraiser or review appraiser may be assigned the responsibility to make this determination and appraise the fair market value of the remnant. [See Section 24.102(k)].

The owner also has a right to accompany the appraiser during the inspection of the property pursuant to Section 24.102(c)(1).

When valuing properties that contain contamination or hazardous material, the appraiser must consider the effect, if any, the contamination's or material's presence has on the market value.

Grantees should update appraisals over six months old in an active real estate market before fair market value is determined and submit to the FTA Regional Office for review and concurrence, when required. If the documents are not updated, the letter of transmittal to FTA shall provide adequate justification explaining why the appraisal was not updated.

- (4) Exceptions. Full appraisal and/or negotiation procedures are not necessary in certain instances. While an appraisal of the property may not be required in some of the following instances, the agency must have some reasonable basis for their

determination of fair market value in accordance with Section 24.101(b), Appendix C. In the case of a donation an appraisal may not be required; however, an appraisal is required if the grantee proposes to use the property as an in-kind contribution as part of the local matching share. FTA should be contacted for further guidance when any one of the following situations occurs:

- (a) The owner is donating the property, reference Sections 24.102(c)(2) and 24.108.
- (b) The grantee does not have authority to acquire property by eminent domain as set out in Section 24.101(b).
- (c) The property qualifies as a voluntary acquisition as defined in Section 24.101(b).
- (d) The valuation is uncomplicated and the fair market value is estimated at \$10,000 or less, based on a review of available data, using the waiver valuation provision found at Section 24.102(c) and Section 24.2(a)(33).

c. Appraisal Review of Real Estate.

- (1) General. All appraisals for acquisition of real property are to be reviewed in accordance with the Uniform Act and 49 CFR 24.104. The review appraisal should determine the soundness of the report's value estimate. A qualified review appraiser [see Section 24.103(d)(1) and Appendix A thereof, and Section 24.104] shall examine the presentation and analysis of market information in all appraisals to assure that they meet the definition of an appraisal found in Section 24.2(a)(3), as well as other appraisal requirements found in 49 CFR Part 24.103 and other applicable State and local requirements.

The review appraiser is often expected to determine if the value conclusion is consistent with State laws as to what is compensable in eminent domain for public acquisitions and with the Uniform Act. The review appraiser is also responsible for assuring that value estimates are consistent when multiple parcels of property are needed for the project. The review appraiser cannot determine the soundness of a report's value estimate without possessing familiarity with the subject property, the comparables sales used and other market factors; thus rarely will only a desk review be sufficient. The appraisal review report is expected to be a technical analysis of the appraisal, not merely an administrative review.

- (2) Requirements. In accordance with Section 24.104(a), the review appraiser shall prepare a written report identifying each appraisal report as:
 - (a) Recommended (as the basis for the establishment of the amount believed to be just compensation) or,

- (b) Accepted (meets all requirements, but not selected as recommended or approved), or
 - (c) Not accepted.
- (3) Establishment of Just Compensation. If authorized by the grantee, a staff review appraiser may also establish the approved appraisal amount as the offer of just compensation. Under no circumstances can the establishment of the just compensation amount be delegated to a contractor (like a fee review appraiser) who is not a governmental official of the agency.

If the review appraiser is unable to recommend (or approve) an appraisal as an adequate basis for the establishment of the offer of just compensation, and it is determined by the acquiring agency that it is not practical to obtain an additional appraisal, the review appraiser may, as part of the review, present and analyze market information in conformance with 24.103 to support a recommended (or approved) value [See Section 24 Appendix A related to Section 24.104(b)].

Review appraisers who are not staff employees must be certified appraisers.

- d. Appraisal Concurrence Process. Prior FTA concurrence is required when the grantee's recommended offer of just compensation exceeds \$500,000, or when a property appraised at \$500,000 or more must be condemned. Appraisals under \$500,000, not requiring FTA concurrence, must follow the applicable appraisal standards (see Section 24.103). The grantee is required to maintain a parcel file with the proper support and documentation. Appraisals and Review Appraisals must be submitted to FTA for review and concurrence for acquisitions over \$500,000 or in-kind contribution of any value before Federal funds are expended or the value is used as local match.
- (1) General. In accordance with URA requirements every effort should be made to acquire real property by negotiation based on the approved just compensation amount that has been determined by the acquiring agency and considering the requirements described in the following:
 - (2) Market Value. Before making an offer to the property owner, the grantee must first establish market value of the parcel to be purchased. Property acquisition activities will be conducted in compliance with the requirements of Section 24.101 and 102. Market value is to be established through a current appraisal and appraisal review accomplished in accordance with the requirements of Section 24.103 and 104 respectively. Once the appraisal and the appraisal review are complete, a determination of just compensation must be made by the grantee in accordance with Section 24.102(d).
 - (3) Making an Offer. After the just compensation determination has been made by the agency, with FTA concurrence, if required, an offer can be made to the owner.

No owner shall be required to surrender possession of real property without either payment of the agreed purchase price to the owners or deposit of the established just compensation amount in condemnation court as set out in Section 24.102(j). The full amount of the deposit must be made available to the owner without prejudice pending the ultimate determination of just compensation by the judicial process. The grantee must expeditiously reimburse property owners for actual, reasonable, and necessary expenses incidental to transfer of title pursuant to Section 24.106.

- (4) Uneconomic remnant. If the acquisition leaves the owner with an uneconomic remnant, the grantee must offer to acquire that remnant and its value will be presented as an element of the written offer that is made. [See Section 24.102(k)].
- (5) Filing Condemnation. Additionally FTA concurrence is required before filing for condemnation if the appraised amount exceeds \$500,000.
- (6) Administrative Settlements. Any settlement in excess of the grantees approved just compensation must be addressed as an administrative settlement (see definition, Chapter 1, paragraph 5 and Section 24.102(i). The term “administrative settlements” encompasses both negotiated settlements and legal settlements. Legal settlements are those arrived at prior to a trial on the merits.
 - (a) Requirements. Administrative settlements in excess of \$50,000 more than the current fair market value require prior FTA concurrence. Instead of using its power of eminent domain when a property cannot be purchased at appraised value, a grantee may propose acquisition through negotiated settlement, as explained previously. The grantee must document that reasonable efforts to purchase the property at the appraised amount have failed and prepare written justification supporting why the settlement is reasonable, prudent and in the public interest. Such a settlement will be handled in accordance with administrative settlement requirements at Section 24.102(i). If the settlement request represents a significant increase over the just compensation and if trial risks are a key factor in the settlement justification, a litigation attorney for the agency must be consulted to provide advice in this regard. The decision to recommend a settlement should evaluate among other relevant matters, the risks of settling for the proposed amount versus the risks of trying the condemnation in court.
 - (b) Settlement Concurrence Process. All settlements must be justified in writing and be available in the project files. The justification shall be thorough, document the entire settlement process, demonstrate the logic and reason supporting the settlement, and be able to withstand the scrutiny of an independent review. If either type of settlement exceeds FTA’s threshold for approval, it must be submitted to FTA for advance concurrence before the settlement is consummated.

- e. Relocation Assistance. The relocation assistance program provides a variety of advisory services and benefits to displaced people, businesses, and non-profit organizations. The highlights of this program element and FTA policies related to it are summarized in the following:
- (1) Early provision of written notices and explanations of acquisition and relocation programs must be provided to displacees as required by 49 CFR Part 24.
 - (2) No individual, family, business, farm, partnership, corporation, or association will be required to move without at least 90 days advance notice per Section 24.203.
 - (3) In the case of residential displacees, the 90-day notice must also include the availability of at least one comparable replacement dwelling. Rental assistance and replacement housing payments are provided to make the dwellings affordable and available at the time the notice is given. See Section 24.203(c)(3).
 - (4) All displacees, both business and residential, are reimbursed for certain moving expenses per Section 24.301 through Section 24.306.
 - (5) There must be as many residential dwellings available as there are families who will be displaced. The dwellings must be comparable to the ones from which the people are displaced. In addition, the comparable replacement dwellings must be decent, safe, and sanitary (DSS); located in the same area or in areas generally not less desirable in regard to public utilities and public and commercial facilities; reasonably accessible to the displacees' places of employment and within the financial means of the displaced families; and adequate in size to accommodate the occupants in accordance with 49 CFR 24.204.
 - (a) The definition of DSS at Section 24.2(a)(8) contains the following requirements regarding the number of rooms and area of living space for the displacee. "The number of persons occupying each habitable room used for sleeping purposes shall not exceed that permitted by local housing codes or, in the absence of local codes, the policies of the displacing agency. In addition, the displacing agency shall follow the requirements for separate bedrooms for children of the opposite gender included in local housing codes or in the absence of local codes, the policies of such agencies."
 - (b) In the absence of applicable housing codes, FTA's policy requires separate bedrooms and gender separation for children over 12 years of age.
 - (6) Replacement housing must be open to all people regardless of race, color, religion, sex, or national origin as required by Section 24.8 of the URA regulations.
 - (7) Any relocation benefits required by State or local law exceeding the specified limits in the Uniform Act will not be reimbursed by FTA.

- (8) Any global type settlements of a property acquisition that involve the inclusion of relocation payments based on other than relocation costs that are actual, reasonable, and necessary are not eligible for FTA reimbursement in accordance with Section 24.207(f) of the URA regulations.
 - (9) Rental and for-sale dwellings used in the determination of replacement housing benefits must be actually and currently available for sale or rent. A rent schedule method cannot be used to calculate a rental differential payment, since the grantee is required to offer the displacee specific rental replacement properties that are actually available as explained in the definitions Section of this circular.
- f. Special Real Estate Acquisition Program Strategies/Issues. Several real estate program strategies or issues are worthy of discussion in some details as follows:
- (1) Alternative Procedure. A grantee with a qualified and fully staffed real estate department conducting a major capital project may request an alternative process, which permits higher dollar thresholds before FTA prior concurrence is needed. An FTA real estate specialist will review the acquisition process and grantee capabilities. Grantees may request a review through the FTA Regional Office.

The request for the approval for alternative real property procedures at a minimum should include the following:

- (a) A statement providing an overall justification and reasoning for why the alternative procedure is requested;
 - (b) Copy of Real Estate department operating procedures;
 - (c) Real Estate department organization staffing chart; and
 - (d) Strategy for using and qualifying Real Estate services contractors, if used;
 - (e) Estimate of the number of transactions that may exceed requested threshold(s);
 - (f) Discussion of Real Estate acquisition schedule/status relative to the overall project schedule; and
 - (g) Discuss Real Estate department program Quality Assurance/Quality Control procedures that are in place to assure program delivery is in compliance with Uniform Act requirements and effective/efficient operational standards given the higher thresholds requested.
- (2) In-Kind Contributions. Grantees may use in-kind contributions of real property as part of the local matching share so long as the property to be donated is needed to carry out the scope of the approved project. The property can be owned and

donated by the grantee or by a third party. The in-kind contribution allowance will be based on the current market value as independently appraised. Appraisals for property being donated, regardless of appraised value, must be submitted to the FTA regional or metropolitan office.

Credit can only be allowed for the value of the portion of real property used or consumed by the project. If part of a larger parcel is to be used as local match, and the remaining sub-parcel is intended to be used at a future date for future match the grantee is cautioned to clearly indicate the limits of the sub-parcel to be used as local match and the appraised amount associated with the sub-parcel. The remnant sub-parcel can then follow the same procedure for future local match. If the entire parcel is provided as a local match and no delineation is made related to possible use of the excess sub-parcel as over-match, eligibility of the over-match sub-parcel may be lost. If Federal funds were used to purchase the property, only the non-Federal share of such property may be counted as the value of the in-kind contribution, please refer to Section 18.24(f).

- (3) Functional Replacement. Functional replacement provides a method of paying the cost necessary to replace a publicly owned facility (i.e., a fire station or public school) being acquired with a similar needed facility. The FTA regional or metropolitan office should be contacted for further information.

A determination to use functional replacement should be made early in the project development process. The use of this approach would usually be addressed during the environmental assessment (EA) phase of the project and be presented as a mitigation measure to be undertaken by the project.

- (4) Contaminated Property (including Brownfields). Appropriate due diligence for contamination is conducted as a part of the NEPA process and discussed in the NEPA document before selection of a contaminated property in a capital project. Appraisals should consider the effect, if any contamination has on the market value of the property being valued. The terms, “contamination” and “hazardous material” should be interpreted broadly to include all contaminants that can affect property value.
 - (a) The legal responsibility for hazardous material clean up and disposal rests with parties within the property title chain and with parties responsible for the placement of the material on the property. Grantees must attempt to identify and seek legal recourse from those potentially responsible parties or substantiate the basis for not seeking reimbursement.
 - (b) During the NEPA process, the grant applicant will have considered not only the estimated project cost of appropriate remediation (remediation being any action, developed in consultation with appropriate regulatory agencies, to reduce, remove or contain contamination), the applicant will also have

considered and taken action regarding the short and long-term liabilities associated with Brownfields, if applicable.

- (c) To encourage the complete assessment of contamination prior to project decision-making, FTA generally will not participate in the remediation of contamination discovered during construction.
 - (d) The grantee should contact FTA for technical assistance regarding contaminated property.
- g. Real Estate Acquisition Management Plan (RAMP). A RAMP is required for all major capital projects as a part of the Project Management Plan (PMP) under 49 CFR 633.25 and in accordance with Title 49 CFR Part 24. A full RAMP is not required for other capital projects with real estate acquisition; however, all capital projects must be in compliance with 49 CFR Part 24, if real estate acquisition or relocation assistance is involved. The RAMP is a planning document for the acquiring agency and is a control document for FTA that includes real estate goals and methodology from the perspective of timing, staffing, statutory and policy issues. The RAMP should be periodically reviewed for needed changes. See Appendix A to this circular for a model in the development of a RAMP.
- h. Property Management and Joint Development.
 - (1) General. This area concerns the post construction management of property acquired for the facility during project development to ensure that it is properly maintained and operated efficiently for the benefit of the transit system.
 - (2) Incidental Use and Joint Development. Title to real property is vested in the grantees or other public bodies. FTA's policy is to permit grantees maximum flexibility in determining the best and most cost-effective use of FTA-funded property. To this end, FTA encourages incidental uses and joint development of real property that can raise additional revenues for the transit system or, at a reasonable cost, enhance system ridership. For example, grantees may be able to encourage joint development of air rights at and over transit facilities and project areas. FTA approval is required for both joint development and for incidental uses of real property. Either must be compatible with the original purposes of the grant.

Incidental and joint development uses of real property are subject to the following considerations:

 - (a) Needed Property. This policy applies only to property that continues to be needed and used for an FTA project or program. It is FTA's intention to assist only in the purchase of property that is needed for an FTA project.
 - (b) Purpose & Activity. The use must not compromise the safe conduct of the intended purpose and activity of the initial public transit project activity.

- (c) Continuing Control. The use must not in any way interfere with the grantee's continuing control over the use of the property or the grantee's continued ability to carry out the project or program.
- (d) Non-Profit Use. While FTA is particularly interested in encouraging incidental use as a means of supplementing transit revenues, non-profit uses are also permitted including the charging of appropriate rental fees.
- (e) Income. Proceeds from licensing and leasing of air rights or other real property interest should be based on competitive market rents and rates of return based on the appraised fair market value. Income received from the authorized incidental or joint development uses of air rights may be retained by the grantees (without returning the Federal share) if the income is used for eligible transit planning, capital and operating expenses. This income cannot be used as part of the local share of the grant from which it was derived. However, it may be used as part of the local share of another FTA grant.

i. Disposition.

- (1) Excess Real Property Inventory and Utilization Plan. The grantee shall prepare and keep up to date an excess property inventory and utilization plan for all property that is no longer needed to carry out any transit purpose. The inventory list should include such things as property location; summary of any conditions on the title, original acquisition cost, and the Federal participation ratio; FTA grant number, appraised value and date; a brief description of improvements; current use of the property; and the anticipated disposition or action proposed.

Grantees are also required to notify FTA when property is removed from the service originally intended at grant approval and put to additional or substitute uses. The grantee's plan should identify and explain the reason for excess property. Such reasons may include one or more of the following:

- (a) The parcel, when purchased, exceeded the grantee's need (uneconomic remnant, purchased to logical boundary, part of administrative settlement, etc.);
- (b) The property was purchased for construction staging purposes such as access, storage or underpinning, and construction is completed;
- (c) The intended use of the parcel is no longer possible because of system changes, such as alignment, or amendments to the project Grant Agreement;
- (d) Improvements to real property were damaged or destroyed, and therefore the property is not being used for project purposes, but it is still needed for the project. If so, the improvements may be renovated or replaced. In this case, applicable cost principles must be observed; and/or

- (e) A portion of the parcel remains unused, will not be used for project purposes in the foreseeable future, and can be sold or otherwise disposed.

Unless FTA and the grantee agree otherwise, the excess real property inventory and updated excess property utilization plan is to be retained by the grantee, available upon FTA request and during the Triennial Review process.

- (2) Disposition Alternatives. If the grantee determines that real property is no longer needed, FTA may approve use of the property for other purposes. This may include use in other Federal grant programs or in non-Federal programs that have consistent purposes with those authorized for support by FTA.
 - (a) Valuation of Property Pending Disposal. For properties no longer needed for transit purposes, the grantee is expected to follow the valuation requirements of 49 CFR Part 24 and obtain an appraisal and review to ascertain the value of the property considered for disposal.
 - (b) Net Proceeds from Disposition. In those situations where a grantee or subgrantee no longer need the real property for any transit purpose and is disposing of real property acquired with grant funds and acquiring replacement real property under the same program, FTA may permit the net proceeds from the disposition to be used as an offset to the cost of the replacement property.
 - (c) Alternative Disposition Methods. When real property is no longer needed for any transit purpose, the grantee will request disposition instructions from FTA. Following are the allowable alternative disposition methods.
 - 1 Sell and Reimburse FTA. Competitively market and sell the property and pay FTA the greater of its share of the fair market value of the property or the straight line depreciated value of the improvements plus land value. FTA's share of the fair market value is the percentage of FTA participation in the original grant multiplied by the best obtainable price, net of reasonable sales costs.
 - 2 Offset. Sell property and apply the net proceeds from the sale to the cost of replacement property under the same program. Return any excess proceeds to FTA. [49 CFR Part 18.31].
 - 3 Sell and Use Proceeds for Other Capital Projects. Sell property and use the proceeds to reduce the gross project cost of another FTA eligible capital transit project. [49 U.S.C., 5334(h)(4)]. The grantee is expected to record the receipt of the proceeds in the grantee's accounting system, showing that the funds are restricted for use in a subsequent capital project, and reduce the liability as the proceeds are applied to one or more FTA approved capital projects. FTA must approve the application of the

proceeds to a subsequent capital grant, which should clearly show that the gross project cost has been reduced with proceeds from the earlier transaction.

- a Sell and Keep Proceeds in Open Project. If the grant is still open, the grantee may sell excess property and apply the proceeds to the original cost of the total real property purchased for that project. This may reduce the Federal share of the grant.
- b Transfer to Public Agency for Non-Transit Use. Follow procedures for publication in Federal Register to transfer property (land or equipment) to public agency with no repayment to FTA. This is a competitive process and there is no guarantee that a particular public agency will be awarded the excess property. [49 U.S.C., 5334(h)(1) through (h)(3)].
- c Transfer to Other Project. Transfer property to another FTA eligible project. The Federal interest continues.
- d Retain Title With Buyout. Compensate FTA by computing percentage of FTA participation in the original cost. Multiply the current fair market value of the property by this percentage. The grantee must document the basis for value determination; typically, this is an appraisal or market survey. Alternatively, the grantee may pay the straight line depreciated value of improvements plus land value if this is greater than FTA's share of the fair market value.
- e Sales procedures shall be followed that provide for competition to the extent practicable and result in the highest possible return or at least payment of appraised fair market value.
- f Joint Development. A transfer meeting the tests for joint development is not a disposition and the proceeds are deemed program income. For additional information on use and eligibility of joint development projects see FTA Guidance (72 FR 5788, February 7, 2007) as the final agency guidance on the "Eligibility of Joint Development Improvements Under Federal Transit Law."
- j. FTA Management and Project Oversight of Property Acquisition. FTA project stewardship includes various strategies, and in some cases involves the application of risk management techniques. Based on various conditions including dollar thresholds and the complexity of the property acquisitions involved, FTA may require the submission of all transactions meeting certain criteria for prior approval. Refer to the discussion of prior concurrence for certain appraisal, condemnation, and settlements issues discussed in this chapter.

FTA may also conduct process or transactional reviews at any time during or after project implementation of the real estate acquisition program to ensure compliance with governing laws and regulations.

3. EQUIPMENT, SUPPLIES, AND ROLLING STOCK. Certain management standards apply to equipment, supplies and rolling stock purchased with Federal funds. The term, project property, as used below, includes equipment, supplies and rolling stock. Following are requirements for the acquisition, use, and disposition of project property.
 - a. State Recipients. A State will use, manage, and dispose of project property acquired under a grant by the State in accordance with State laws and procedures [49 CFR, Part 18.32(b)]. Other grantees will follow the procedures outlined below.
 - b. Title. Subject to the obligations and conditions, the grantee holds title to project property acquired under a grant.
 - c. Federal Interest. FTA retains a Federal interest in any project property financed with Federal assistance until, and to the extent, that FTA relinquishes its Federal interest in that project property.
 - d. Acquisition. Acquisition cost of project property means the purchase price of project property. This is the net invoice unit price, including the cost of modifications, attachment, accessories, or auxiliary apparatus necessary to make the project property usable for the intended purpose. Other charges such as the cost of inspection, installation, transportation, taxes, duty, or protective in-transit insurance should be treated in accordance with the grantee's regular accounting practices, as separate line items. Grantees must follow procurement procedures set forth in the most recent version of Circular 4220.1; additional guidance is provided in FTA's Best Practices Procurement Manual. Two areas of particular importance for rolling stock procurements are:
 - (1) Buy America. The grantee will comply with applicable Buy America regulations for the procurement of FTA funded project property. In accordance with 49 U.S.C. Section 5323(j), and FTA Buy America regulations, 49 CFR Part 661., Buy America requirements apply to the acquisition of iron, steel, or manufactured goods, including rolling stock and constructed infrastructure. Unless an acquisition qualifies for a waiver, Federal Transit assistance authorized by 49 U.S.C. Chapter 53 and 23 U.S.C. (Highways) may not be used to finance the acquisition of iron, steel, or manufactured goods that are not produced in the United States.
 - (2) Pre-Award and Post Delivery Audits for Rolling Stock. FTA requires that grantees purchasing revenue passenger rolling stock undertake reviews of the rolling stock before award of the bid, during manufacture, and following vehicle delivery. Grant applicants seeking to acquire rolling stock must certify that they will comply with Pre-Award and Post-Delivery Review requirements.

The requirement to undertake the pre-award and post-delivery reviews arises from 49 U.S.C. Section 5323(m) and is implemented by FTA regulations at 49 CFR Part 663. The reviews are intended to improve compliance with Buy America requirements, the grantee's bid specifications, and Federal motor vehicle safety standards. FTA has tried to carry out the intent of the law in a way that builds on current practices by many grantees and that improves the monitoring of compliance in the least burdensome manner. Reviews may be conducted by the grantee's staff or by a contractor for the grantee. The regulations require a resident inspector who is not an agent or an employee of the manufacturer to review specification compliance for the grantee at the manufacturing site, unless the procurement is for unmodified vans, 10 or fewer buses acquired by an operator serving an urbanized area with a population of over 200,000 persons, or 20 or fewer buses acquired by an operator serving other than urbanized areas or urbanized areas with populations of 200,000 or fewer. The grantee must keep on file and make available to FTA upon request written reports resulting from the reviews. Compliance must be certified on the Annual List of Certifications and Assurances.

- e. Use of Project Property. Project property is to be used by the grantee in the programs or project for which it was acquired as long as needed, whether or not the program or project continues to be supported by Federal funds. When need no longer exists, see disposition requirements.
- (1) Continuing Control. The grantee agrees to maintain continuing control of the use of project property and constructed improvements to the extent satisfactory to FTA. The grantee agrees to use project property for appropriate project purposes for the duration of the useful life of that property, as required by FTA. If the grantee unreasonably delays or fails to use the project property during the useful life of that property, the grantee agrees that it may be required to return the entire amount of the Federal assistance expended on that property. The grantee further agrees to notify FTA immediately when any project property is withdrawn from project use or when any project property is used in a manner substantially different from the representations the grantee made in its grant application or in the Project Description for the Grant Agreement or Cooperative Agreement for the project.

The grantee may make project property available for use on other projects or programs currently or previously supported by the Federal Government, providing such use will not interfere with the work on the project or program for which it was originally acquired. FTA reserves the right in the Grant Agreement to require the grantee, with FTA approval, to transfer title to project property no longer needed or used for the purposes of the grant (or program) to the Federal Government or an otherwise eligible grantee. (49 CFR part 18.32).

The grantee must not use project property acquired with grant funds to provide services to compete unfairly with private companies that provide equivalent

services. Non-transit use of FTA financially assisted project property is acceptable so long as it is incidental, does not interfere with transit use (i.e., transit has priority), and income generated is retained by the grantee for transit use. (See paragraph (7) below for more information on incidental use).

The grantee agrees that it will not execute any transfer of title, lease, lien, pledge, mortgage, encumbrance, third party contract, subagreement, grant anticipation note, alienation, innovative finance arrangement, or any other obligation pertaining to project property, that in any way would affect the continuing Federal interest in that project property without written FTA approval.

- (2) Shared Use. Shared use of project property requires prior written FTA approval. Shared use projects should be clearly identified and sufficient detail provided to FTA at the time of grant review to determine allocable costs related to non-transit use for construction, maintenance, and operation costs.
- (3) Incidental Use. Any incidental use of project property will not exceed that permitted under applicable Federal laws, regulations, and directives. Incidental use requires prior FTA approval. Consult your FTA regional and metropolitan office prior to incorporating incidental use activities in projects. Incidental use will be permitted if:
 - (a) The incidental use does not interfere with the grantee's project or public transportation operations;
 - (b) The grantee fully recaptures all costs related to the incidental use from the non-transit public entity or private entity, including all applicable excise taxes on fuel for fueling facilities and wear and tear to capital improvements;
 - (c) The grantee uses revenues received from the incidental use, less the planning, capital, and operating expenses that were incurred to provide the public transportation; and
 - (d) Private entities pay all applicable excise taxes on fuel.
- f. Useful Life of Project Property. FTA provides a useful life policy for rolling stock, trolleys, ferries, and facilities. Where a useful life policy has not been defined by FTA, the grantee, in consultation with the FTA regional or metropolitan office shall "make the case" by identifying a useful life period for all capital assets over \$5,000 to be procured with Federal funds. In the grant application, the grantee shall propose and identify a useful life for the capital asset to be purchased with Federal funds. FTA approval of the grant represents FTA concurrence of the final determination of useful life for the purpose of project property acquisition. This in turn will identify the useful life of the Federal interest for the disposition of the project property in later years.

- (1) Determining useful life for project property. The grantee should identify the method used to determine the useful life. Acceptable methods to determine useful life include but are not limited to:
 - (a) Generally accepted accounting principles
 - (b) Independent evaluation
 - (c) Manufacturer's estimated useful-life
 - (d) Internal Revenue Service guidelines
 - (e) Industry standards
 - (f) Grantee experience
 - (g) The grantee's independent auditor who needs to concur that the useful life is reasonable for depreciation purposes
 - (h) Proven useful life developed at a Federal test facility.
- (2) Bus, Van, Trolley, and Rail Rolling Stock Useful Life Policy. Useful life of rolling stock begins on the date the vehicle is placed in normal revenue service and continues until it is removed from normal revenue service. The useful life in years refers to total time in normal revenue transit service, not time spent stockpiled or otherwise unavailable for regular transit use. It is recommended that grant applicants specify the expected useful life category in requests for bids when acquiring new vehicles. Minimum normal useful lives for buses, vans, trolleys and rail vehicles are determined by years of service or accumulation of miles whichever comes first as follows:
 - (a) Buses:
 - 1 Large, heavy-duty transit buses (approximately 35'–40', and articulated buses): at least 12 years of service or an accumulation of at least 500,000 miles.
 - 2 Medium-size, heavy-duty transit buses (approximately 30'): at least ten years or an accumulation of at least 350,000 miles.
 - 3 Medium-size, medium-duty transit buses (approximately 30'): at least seven years or an accumulation of at least 200,000 miles.
 - 4 Medium-size, light-duty transit buses (approximately 25'–35'): at least five years or an accumulation of at least 150,000 miles.

5 Other light-duty vehicles such as light-duty buses and regular and specialized vans, including all bus models exempt from testing in the most recent version of FTA C 9300.1, Chapter 3, Section 6 (c) (4); at least four years or an accumulation of at least 100,000 miles.

(b) Trolleys: The term “trolley” is often applied to a wide variety of vehicles. Thus, the useful life depends on the type of “trolley.” FTA classifies “trolleys” and the suggested useful life as described below. For disposition actions, FTA will use these minimum useful life:

1 A steel-wheeled “trolley” (streetcar or other light rail vehicle): at least 25 years.

2 An electric trolley-bus with rubber tires obtaining power from overhead catenary: at least 18 years.

3 Simulated trolleys, with rubber tires and internal combustion engine (often termed “trolley-replica buses”): please refer to bus useful life criteria above.

Rail Vehicles: At least Twenty-five years. A grantee that regularly measures lifespan by hours of operations, or by any other measure, may develop an appropriate methodology for converting its system to years of service. The reasonableness of such methodologies will be subject to examination, particularly if the grantee proposes to retire a rail vehicle before FTA’s service life requirement has expired.

(2) Ferries: The useful life of a ferry depends on several factors, including the type and use of the ferry. Until a final policy for ferries is determined, FTA recommends using one of the methods outlined in paragraph (1) above or offers the following suggested minimum service lives:

(a) Passenger Ferries: 25 years

(b) Other Ferries (without refurbishment): 30 years

(c) Other Ferries (with refurbishment): 60 years

(3) Facilities: Determining the useful life of a facility must take into consideration such factors as type of construction, nature of the equipment used, historical usage patterns, and technological developments. As such, FTA establishes a range of 40–50 years for the minimum useful life of a facility. Based on any of methods identified in paragraph (1) above, a railroad or highway structure has a minimum useful life of 50 years, and most other buildings and facilities (concrete, steel, and frame construction) 40 years.

g. Rolling Stock Rebuilding Policies. FTA laws, regulations, policies and procedures allow the use of capital funds for vehicle rebuilding programs that meet the vehicle requirements in 49 CFR 571 and 49 CFR 38. Requirements for Bus and Rail fleets are summarized below:

- (1) Buses to be rebuilt should be at the end of the minimum normal service life and in need of major structural and/or mechanical rebuilding. The age of the bus to be rebuilt is its years of service at the time the rebuilding begins. The eligibility of this major capital bus rebuild work is in addition to the eligibility of vehicle overhauls as described in paragraph h, Rolling Stock Overhauls below. Grantees should contact the regional or metropolitan office to determine the extent which the useful life of the bus is affected by the rebuild. The minimum extension of useful life is four years.
- (2) Rail cars to be rebuilt must have reached the end of its minimum normal service life (end-of-life rebuild). The minimum extension of useful life is ten years. The eligibility of this major capital rail rebuild work is in addition to the eligibility for vehicle overhauls as described in paragraph h, Rolling Stock Overhauls below.

Depending upon the extent of rebuilding planned, it may be subject to Americans with Disabilities Act (ADA) requirements. Rebuilding is also an eligible capital cost under the category of preventive maintenance.

- h. Rolling Stock Overhauls. Rolling stock overhauls are an eligible capital expense. This eligibility for capital assistance applies also to leasing and to contracted service. This eligibility is in addition to eligibility of rebuilding discussed above. Rolling stock to be overhauled must have an accumulated at least 40 percent of its service life.
- i. Rolling Stock Spare Ratio Policies. Spare ratios will be taken into account in the review of projects proposed to replace, rebuild, or acquire additional vehicles. Spare ratio is defined as the number of spare vehicles divided by the vehicles required for annual maximum service. Spare ratio is usually expressed as a percentage, e.g., 100 vehicles required and 20 spare vehicles is a 20 percent spare ratio.
 - (1) Bus Fleet. The basis for determining a reasonable spare bus ratio takes local circumstances into account. The number of spare buses in the active fleet for grantees operating 50 or more fixed route revenue vehicles should not exceed 20 percent of the number of vehicles operated in maximum fixed route service.

For purposes of the spare ratio calculation, “vehicles operated in maximum fixed route service” is defined as the total number of revenue vehicles operated to meet the annual maximum service requirement. This is the revenue vehicle count during the peak season of the year, on the week and day that maximum service is provided. It excludes atypical days and special events that do not accurately depict normal peak maximum service requirements. Whether vehicles are locally funded, FTA-funded, or the vehicles have exceeded their service life are not relevant

factors. Scheduled standby vehicles are permitted to be included as “vehicles operated in maximum service.”

Buses delivered for future expansion and buses that have been replaced, but are in the process of being disposed of, should be identified and separated from other spares because they unfairly inflate the spare ratio.

For each grant application identified to acquire vehicles, a grant applicant must address the subjects of current spare ratio, the spare ratio anticipated at the time the new vehicles are introduced into service, disposition of vehicles to be replaced including information on age and mileage, and the applicant’s conformance with FTA’s spare ratio guideline. An applicant is required to notify FTA if the spare ratio computation on which the grant application is based is significantly altered prior to the grant award. A fleet status report must be submitted with each grant application to acquire rolling stock.

- (2) Rail Fleet. Because rail transit operations tend to be highly individualized, FTA has not established a specific number to serve as an acceptable spare ratio for rail transit operations. Nevertheless, rail operators should be aware that the grantees rail vehicle spare ratio and the rationale underlying that spare ratio will be examined during the triennial review whenever FTA assistance is used to purchase or rebuild rail vehicles.

The following guidance should be used to support an operator’s proposed rail vehicle spare ratio when the spare ratio is under review by FTA:

- (a) An operator of a rail system must have in its file available upon request by FTA a rail fleet management plan that addresses operating policies (level of service requirements, train failure definitions, and actions); peak vehicle requirements (service period and make-up, e.g., standby trains); maintenance and overhaul program (schedules, unscheduled, and overhaul); system and service expansions; rail car procurements and related schedules; and spare ratio justification.
- (b) Spare ratio justification should consider: average number of cars out of service for scheduled maintenance, unscheduled maintenance and overhaul program; allowance for ridership variation (historical data); ridership changes that affect car needs caused by expansion of system or services; contingency for destroyed cars; and car procurements for replacements and system expansions.
- (c) Cars delivered for future expansion and cars that have been replaced, but are in the process of being disposed of, should be identified and separated from other spares because they unfairly inflate the spare ratio.

- (d) Peak Vehicle Requirement includes “standby” trains that are scheduled, ready for service, and have a designated crew.
 - (e) Factors that may influence spare ratio are: equipment make-up (locomotive hauled trains; married pair units or single cars; equipment design, reliability and age); environmental conditions (weather, above ground or underground operation, loading and track layout); operational policies (standby trains, load factors, headways); maintenance policies (conditions for removing cars from service, maintenance during nights and weekends, and labor agreement conditions; and maintenance facilities and staff capabilities.
- (3) Contingency Fleet. FTA recognizes two types of vehicles—active and contingency. Revenue rolling stock stockpiled in a contingency fleet in preparation for emergencies must have met their minimum normal service life requirements and must be properly stored, maintained, and documented in a contingency plan. These vehicles are not included in the calculation of spare ratio. Contingency plans are subject to review during triennial reviews and other FTA oversight reviews. Any rolling stock not supported by a contingency plan will be considered part of the active fleet.
- j. Leases. The grantee must obtain FTA concurrence before leasing FTA-funded assets to others. The grantee agrees to comply with the requirements of 49 CFR Part 639 for all capital leases. Grantees should reference Circular A-94 for cost-effectiveness calculations and to obtain the most recent discount rate for the purpose of calculating the net present value of a future benefit.
- (1) Leasing FTA-funded Assets to Others for Transit Service. The grantee may enter into a contract for leasing its project property to a private operator (the lessee). Under this arrangement the grantee (the lessor) should include the following provisions in the proposed lease agreement:
- (a) The project property shall be operated by the lessee to serve the best interest and welfare of the project sponsor lessor and the public. The terms and conditions for operation of service imposed by the grantee shall be evidenced in a service agreement.
 - (b) The lessee shall maintain project property at a high level of cleanliness, safety, and mechanical soundness under maintenance procedures outlined by the project sponsor. The project sponsor lessor and/or FTA shall have the right to conduct periodic maintenance inspections for the purpose of confirming the existence, condition, and the proper maintenance of the project property.
 - (c) The lease needs to cross reference a service agreement. A default under the lease is a default under the service agreement and vice versa.

- (2) Capital Lease. A capital lease is any transaction whereby the grantee acquires the right to use a capital asset usually for a period of three or more years without obtaining ownership of the capital asset. Based on standard FTA project management guidelines, grantees must maintain an inventory of assets acquired through capital leasing. Eligible lease costs include: finance charges including interest; ancillary costs such as delivery and installation charges; and maintenance costs. A lease may qualify for capital assistance if it meets the following criteria:

 - (a) The capital asset to be acquired by lease is eligible for capital assistance;
 - (b) There is or will be no existing Federal interest in the capital asset as of the date the lease will take effect; and
 - (c) Leasing the capital asset is more cost-effective than purchase or construction of the asset.
- (3) Cost Effectiveness. Grantees are encouraged to obtain FTA review of the cost-effectiveness determination prior to entering into any capital lease, or at any time the terms of the lease are modified. To qualify for an operating or capital lease, a grantee must:

 - (a) Make a written comparison of the cost of leasing the asset with the cost of purchasing or constructing the asset.
 - (b) Certify to FTA before entering into the lease or before receiving a grant, whichever is later, that obtaining the asset or operation function by lease is more cost-effective than purchase or construction of the asset or operation of the activity.
- (4) Calculation of Lease Cost. The estimated lease costs must be reasonable, based on realistic market conditions applicable to the grantee and must be expressed in present value terms. The lease cost of the asset or operations function is the cost to lease the asset or operations function for the same use and the same time period as that time specified in any purchase or construction documents or scope of any operations activity. The lease cost also includes any ancillary costs such as delivery and installation costs and it includes the net present value of the estimated future cost to provide any other service or benefit.
- (5) Calculation of Purchase/Construction Cost or Operations Cost. The purchase/construction or operations cost is the estimated costs for that activity plus ancillary costs such as delivery and installation costs plus the net present value of the estimated future cost to provide any other service or benefit for that activity. The estimated cost must be reasonable, based on realistic current market conditions and based on the expected useful life of the item to be utilized.

k. Project Property Management. Rolling stock and equipment management procedures include the following minimum requirements:

- (1) Rail systems are required to submit a rail fleet management plan that addresses operating policies (level of service requirements, train failure definitions, and actions); peak vehicle requirements (service period and make-up, e.g. standby trains); maintenance and overhaul program (scheduled, unscheduled, and overhaul); system and service expansions; rail car procurements and related schedules; and spare ratio justification.
- (2) A transit system with a fixed-guideway system must also submit a Bus Fleet Management Plan along with its PMP for approval of funding through the Section 5309 New Starts program. This requirement is applicable to all transit agencies that are expanding an existing fixed guideway system of planning a new fixed guideway system to be funded with section 5309 New Starts funding. This requirement is explained in detail in the most recent version of FTA Circular 5200.1, Full Funding Grant Agreement (FFGA) Guidance.
- (3) Equipment records must be maintained by the grantee. Records must include a description of the asset, identification number, procurement source, acquisition date, cost, percentage of Federal participation in the cost, the grant project number under which it was procured, location, use and condition, useful life policy, and any disposition data, including the date of disposal and sale price, or, where applicable, method used to determine its fair market value. The grantee should also state who holds title to the rolling stock and equipment including rolling stock.
- (4) A physical inventory of equipment must be taken and the results reconciled with equipment records at least once every two years. Any differences must be investigated to determine the cause of the difference.
- (5) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of project property. Any loss, damage, or theft must be investigated and documented by the grantee.
- (6) Adequate maintenance procedures must be developed and implemented to keep the project property in good condition. These procedures should be consistent with the maintenance plan required of grantees for equipment funded under 49 U.S.C. 5309 and 5307 and should be documented and available during an audit or triennial review.
- (7) Warranty standards, when part of rolling stock and equipment contracts, should provide for correction of defective or unacceptable materials or workmanship. These should specify coverage and duration and meet currently available industry standards. General warranty incorporating industry standards and extended warranty are eligible capital costs. FTA's best practices manual encourages grantees to evaluate the cost of an extended warranty in an analysis separate from

the equipment's acquisition cost, in order to make a good business decision. Grantees are responsible for:

- (a) Establishing and maintaining a system for recording warranty claims. This system should provide information needed by the grantee on the extent and provisions of coverage and on claims processing procedures;
- (b) Identifying and diligently enforcing warranty system for recording warranty claims; and
- (c) Tagging or otherwise identifying property as Government property.

k. Disposition.

- (1) Replacement at End of Minimum Normal Useful Life. Project property to be replaced must have achieved at least the minimum normal useful life. For purposes of bus replacement project, the age of the bus to be replaced is its years of service or mileage at the time the proposed new bus is introduced into service. For purposes of a rail vehicle replacement project, the age of the vehicle to be replaced is its age at the time the new vehicle is introduced into service. A fleet status report must accompany a grant application for which funds are requested to replace vehicles. The fleet status report includes the following vehicle information: Peak Requirement, Spares and Spare Ratio for the active fleet, and buses pending disposal and others in the inactive fleet. Additional information that can be requested includes, Year, Make, Model, Vehicle Number, Vehicle Identification Number (VIN), Service Life Requirement, Date Placed in Revenue Service, Date Removed from Revenue Service, Mileage, Total Number of Vehicles, Total Number of Peak Vehicle Requirements, and Total Spare Vehicles. An example of a fleet status report is provided in Appendix D.
- (2) Disposition Before the End of Useful Life. Any disposition of project property before the end of its useful life requires prior FTA approval. FTA is entitled its share of the remaining Federal interest. The Federal interest is determined by calculating the fair market value of the project property immediately before the occurrence prompting the withdrawal of the project property from appropriate use. If project property is being removed from service before the end of its useful life, the Federal interest and the return to FTA is the greater of FTA's share of the unamortized value of the remaining service life per unit, based on straight line depreciation of the original purchase price, or the Federal share of the sales price (even though the unamortized value is \$5,000 or less). The following example is provided to determine the straight-line depreciation of a vehicle: For a 12-year minimum normal service life, the vehicle's value decreases each year by one-twelfth of its original purchase price. Similarly, the straight line depreciation of the original purchase price in the vehicle decreases each year by one-twelfth of the amount of the Federal participation that was awarded for its purchase.

- (3) Retain and Use Elsewhere. After the minimum useful life of project property is reached and is no longer needed for the original project or program, it may be used by the grantee for other transit projects or programs. FTA prior approval of this alternative is not required. FTA retains its interest.
- (4) Value Over \$5,000. After the service life of project property is reached, rolling stock and equipment with a current market value exceeding \$5,000 per unit, or unused supplies with a total aggregate fair market value of more than \$5,000, may be retained or sold. Reimbursement to FTA shall be an amount calculated by multiplying the total aggregate fair market value at the time of disposition, or the net sale proceeds, by the percentage of FTA's participation in the original grant. The grantee's transmittal letter should state whether the equipment will be retained or sold. Use of sales proceeds are discussed elsewhere in this chapter.
- (5) Less than \$5,000 value. After the service life of project property is reached, rolling stock and equipment with a unit market value of \$5,000 or less, or supplies with a total aggregate market value of \$5,000 or less, may be retained, sold or otherwise disposed of with no obligation to reimburse FTA. Records of this action must be retained.
- (6) Like-Kind Exchange Policy. With prior FTA approval, a vehicle may be traded in or sold before the end of its minimum normal service life, if a grantee so chooses. Moreover, a grantee may elect to use the trade-in value or the sales proceeds from the vehicle to acquire a replacement vehicle of like kind. "Like-Kind" is defined as a bus for a bus with a similar service life and a rail vehicle for a rail vehicle. Under the like-kind exchange policy, proceeds from the vehicle sales are not returned to FTA; instead, all proceeds are re-invested in acquisition of the like-kind replacement vehicle. If sales proceeds are less than the amount of the Federal interest in the vehicle at the time it is being replaced, the grantee is responsible for providing the difference, along with the grantee's local share of the cost of the replacement vehicle. If sales proceeds are greater than the amount of the Federal interest of the vehicle traded in or sold, the investment of all proceeds in acquisition of the like-kind replacement vehicle results in reduction of the gross project cost.
- (7) Transfer of Rolling Stock—Grantee-to-Grantee. With prior FTA approval, a grantee may transfer rolling stock to another grantee. In such events, the Federal interest of the vehicles will be transferred and therefore there is no obligation to reimburse FTA. However, no additional FTA funds may be used to acquire the vehicles. Both grantees should coordinate with its FTA Regional Office and the following information should be submitted:
 - (a) A written request for approval to transfer/receive vehicles. The request should include the transferor/transferee grantee name, list of vehicles (year, make, model, date placed in revenue service, date removed from revenue service,

grant no. which originally funded the vehicle, mileage, remaining useful life, Federal share of remaining useful life, reasons for transfer.

- (b) A Board Resolution from each grantee. The transferring grantee's board resolution (or other appropriate legal action) should identify the receiving grantee, a statement that the vehicles are no longer required, a list of the vehicles to be transferred including VINs, and the remaining Federal interest that is transferred to the receiving grantee.

The receiving grantee's board resolution (or other appropriate legal action) should identify the transferring grantee, a statement that the vehicles are needed for revenue service, a list of the vehicles to be acquired including VINs, the remaining Federal interest for each vehicles, agreement that the vehicles will be maintained in accordance and in compliance with FTA requirements, and that the transferred vehicles will be included in its equipment inventory records.

- (c) A Fleet Status Report—Each grantee should provide a fleet status report that includes all information as identified in paragraph l. The fleet status report should reflect the impact that the transfer/addition of the vehicles will have on the grantee's total fleet and spare ratio.

If approved, the receiving grantee will be directed to include the transferred vehicles in its next grant application.

- (8) Transfer to Public Agency for Non-Transit Use [49 U.S.C. 5334(h)(1) through 5334(h)(3)]. With prior FTA approval, the grantee may follow procedures for publication in the Federal Register to transfer project property (including land or equipment) to a public agency with no repayment to FTA. Transfer to another public agency for non-transit use can be approved if FTA confirms:

- (a) the asset will remain in public use for at least five years after the date the asset is transferred;
- (b) there is no purpose eligible for assistance for which the asset should be used;
- (c) the overall benefit of allowing the transfer is greater than the FTA interest in liquidation and return of the FTA remaining Federal interest in the asset, after considering fair market value and other factors; and
- (d) through an appropriate screening or survey process, that there is no interest in acquiring the asset for the Federal government use if the asset is a facility or land.

Additional information regarding this type of disposition is available from the FTA regional or metropolitan office.

- (9) Sell and Use Proceeds for Other Capital Projects [49 U.S.C., 5334(h)(4)]. After the useful life is met and with prior FTA approval, the grantee may sell project property for which there is no longer any transit use and use the proceeds to reduce the gross project cost of other FTA eligible capital transit grants. The grantee is expected to record the receipt of the proceeds in the grantee's accounting system, showing that the funds are restricted for use in a subsequent capital grant, and reduce the liability as the proceeds are applied to one or more FTA approved capital grants. The subsequent capital grant application should contain information showing FTA that the gross project cost has been reduced with proceeds from the earlier transaction.
- (10) Unused Supplies. For the disposition of supplies for which there is no transit use with a total aggregate fair market value that exceeds \$5,000, the grantee shall compensate FTA for its share; or transfer the sales proceeds to reduce the gross project cost of other capital project(s). [49 U.S.C. 5334(h)(4)].
- (11) Casualty, Fire, Natural Disaster and Misused Property. When project property is lost or damaged by fire, casualty, or natural disaster, the fair market value shall be calculated on the basis of the condition of the equipment or supplies immediately before the fire, casualty, or natural disaster, irrespective of the extent of insurance coverage. If any damage to project property results from abuse or misuse occurring with the grantee's knowledge and consent, the grantee agrees to restore the project property to its original condition or refund the value of the Federal interest in that property. The grantee may fulfill its obligations to remit the Federal interest by either:
- (a) With prior FTA approval, investing an amount equal to the remaining Federal interest in like-kind property is eligible for assistance, if the like-kind property is within the scope of the project that provided Federal assistance for the property prematurely withdrawn from use; or
 - (b) Returning to FTA an amount equal to the remaining Federal interest in the withdrawn project property.
- (12) Insurance Proceeds. If the grantee receives insurance proceeds when project property has been lost or damaged by fire, casualty, or natural disaster, the grantee agrees to:
- (a) Apply those proceeds to the cost of replacing the damaged or destroyed project property taken out of service (listed below are two examples of the application of insurance proceeds), or
 - (b) Return to FTA an amount equal to the remaining Federal interest in the lost, damaged, or destroyed project property.

The Federal interest is not dependent on the extent of insurance coverage or of the insurance adjustment received.

Application of Insurance Proceeds:

Example 1:

Insurance Proceeds **Greater than** the Remaining Federal Interest in the Damaged or Destroyed Property.

The remaining Federal interest in the damaged or destroyed property is \$1,800. The grantee receives insurance proceeds in the amount of \$2,500. The grantee is required to apply \$1,800 of the insurance proceeds towards the Federal share of replacing the destroyed property. The remaining insurance proceeds, \$700, may be applied towards the purchase cost of the replacement property or retained by the grantee.

Cost of replacement property:	\$5,000
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Less Federal Share of Insurance Proceeds:	< 1,800>
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The remaining funds needed :	\$3,200
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If the funding ratio for this property was 80 percent Federal and 20 percent local, the replacement property could be purchased for \$4,000 Federal/\$1,000 Local funds. The insurance proceeds of \$1,800 needed to cover the remaining federal interest in the damaged and destroyed property must be applied to the federal share of the replacement property. The grantee could use an additional \$2,200 in federal funds, and use the remaining \$700 of insurance proceeds as local match, plus an additional \$300 in other local match to replace the property.

Example 2:

Insurance Proceeds **Less than** the Remaining Federal Interest in the Damaged or Destroyed Property:

If the Federal interest in the damaged or destroyed property is \$1,800 and the grantee receives insurance proceeds in the amount of \$500, the grantee is required to apply the \$500 of insurance proceeds and \$1,300 of non-Federal funds to equal the remaining Federal interest, towards the cost of the replacement property.

Cost of replacement property: \$5,000

Less: Insurance Proceeds: \$500

Non-Federal Funds: \$1,300

<\$1,200>

The remaining funds needed: \$3,200

If the funding ratio for this property was 80 percent Federal and 20 percent local, the replacement property could be purchased for \$4,000 Federal/\$1,000 Local funds. The insurance proceeds of \$500 plus an additional \$1,300 in non-federal funds are needed to cover the remaining federal interest in the damaged and destroyed property must be applied to the federal share of the replacement property. These funds must be applied to the federal share of the replacement property. The grantee could use an additional \$2,200 in Federal funds, and an additional \$1,000 in other local match, to replace the.

- l. Maintenance. The grantee agrees to maintain project property in good operating order and in compliance with any applicable Federal regulations or directives that may be issued, except to the extent that FTA determines otherwise in writing. The grantee agrees to keep satisfactory records pertaining to the use of project property, and to submit to FTA upon request such information as may be required to assure compliance with Federal requirements. The grantee is required to have a written vehicle maintenance plan and facility/equipment maintenance plan. These plans should describe a system of periodic inspections and preventive maintenance to be performed at certain defined intervals.
- m. Insurance. At a minimum, the grantee agrees to comply with the insurance requirements normally imposed by its State and local laws, regulations, and ordinances, except to the extent that the Federal Government determines otherwise in writing. This includes the requirements of Section 102(a) of the Flood Disaster Protection Act of

1973, 42 U.S.C. Section 4012a(a), related to flood insurance provisions for any project activity involving construction or an acquisition having an insurable cost of \$10,000 or more.

4. DESIGN AND CONSTRUCTION; FACILITIES. Grantees are encouraged to consult FTA's website and the Construction Project Management Handbook for guidance on the development and management of construction projects.
 - a. Environmental Mitigation. Many Federal environmental statutes and Executive Orders establish requirements for transit projects that must be considered prior to FTA and the grantee taking any action that limits the choice of reasonable alternatives or that have an adverse environmental impact. FTA tends to refer to the multiplicity of Acts and Orders as the "NEPA Process." More specifically, NEPA is the National Environmental Policy Act (42 U.S.C. 4321). FTA's implementing procedures for environmental reviews (23 CFR Part 771) require that the environmental effects of proposed transit projects be documented and that environmental protection be considered before a decision can be made to proceed with a project. According to 49 U.S.C. Section 5324(b), FTA is required to take into account the economic, social, and environmental interests affected, and requires that alternatives be considered to avoid those effects. If there is no feasible and prudent alternative which avoids the adverse environmental effects, then all reasonable steps must be taken to minimize those effects. If effects can not be avoided or minimized they must be mitigated.

Measures to avoid or mitigate environmental harm are described in the environmental documents prepared for projects. These measures are developed jointly by FTA and the grantee to respond to State and local as well as Federal environmental requirements. The mitigation measures in final environmental documents are expressed as commitments on the part of the grantee which must be implemented if the project receives Federal funding. When a grant is made, the mitigation measures are incorporated by reference in the Grant Agreement for construction and become legally binding terms and conditions of the grant which cannot be withdrawn or substantively changed without FTA's approval.

The progress in implementing adopted mitigation measures is monitored by FTA regional staff through periodic project reviews, on-site inspections, and special meetings when necessary. The grantee has the responsibility to apprise FTA at the earliest possible time of any problems in implementing the adopted measures and any need for changes. Where mitigation options are being considered, FTA will maintain a role in the decision-making process to ensure continuing compliance with Department of Transportation (DOT) Regulation 23 CFR Part 771 implementing 49 U.S.C. Section 5324 (b).

Information about FTA's environmental review process is available through the FTA Regional Office.

- b. Project Management Plan. A written PMP is required by 49 U.S.C. Section 5327 for all major capital projects. Grantees are required to develop and implement a PMP for all major capital projects funded by FTA as part of the Project Management Oversight (PMO) Program. This plan covers a grantee's detailed project management strategy to control the project scope, budget, schedule, and quality (49 CFR Part 633). A major capital project is defined as a project that: 1) involves the construction of a new fixed guideway or extension of an existing fixed guideway; or 2) involves the rehabilitation or modernization of an existing fixed guideway with a total project cost in excess of \$100 million; or 3) FTA determines is a major capital project because the development of a PMP will benefit specifically the agency or the recipient. Typically, this means a project that: i) generally is expected to have a total project cost in excess of \$100 million or more to construct; (ii) is not exclusively for the routine acquisition, maintenance, or rehabilitation of vehicles or other rolling stock; (iii) involves new technology; (iv) is of a unique nature for the recipient; or (v) involves a recipient whose past experience indicates to the agency the appropriateness of the extension of the PMP requirement.

As a general rule, if the project meets the definition of major capital project, the grantee must submit the PMP during the grant application review process. FTA may also request that a PMP be submitted for other non-major capital projects as deemed appropriate. If FTA determines the project is major capital project after the grant has been approved or if FTA determines that a PMP be submitted for other non-major capital projects after the grant has been approved, FTA will inform the grantee of its determination and will require submission of the plan within 90 days.

c. Utility Relocation.

- (1) General. The construction of transit systems may require the relocation and/or rearrangement of privately and publicly owned utilities. These utilities include, but are not limited to, systems and physical plant for producing, transmitting, or distributing communications, electricity, gas, oil, crude oil products, water, steam, waste storm water, or other substances; publicly owned fire and police signal systems; and railroads and streets which directly or indirectly serve the public or any part thereof. Relocating and/or rearranging utilities and facilities necessary to accommodate an FTA-funded transit project may be considered an eligible expense as part of the project. Exceptions to this include those situations where State and local law expressly prohibit the financing of such by the public entity.
- (2) Eligibility for FTA Funding. In order to qualify for FTA funding, the grantee must execute an agreement for relocating or rearranging facilities with the entity responsible for the facilities prescribing the procedures for the relocation and/or rearrangement of the facilities for the purpose of accommodating the construction of the FTA funded project. Prior FTA approval is not required in reaching a utility relocation agreement.

- (3) Utility Relocation Agreement. These agreements are distinguishable from third party contracts in that:

Only actual allowable, allocable, and reasonable costs are reimbursable. Where the work is to be performed by the public utility's forces, no profit is allowed; and reimbursement is limited to the amount necessary to relocate and/or rearrange the facilities to affect a condition equal to the existing utility facilities. Generally, reimbursement would not provide for greater capacity, capability, durability, efficiency or function, or other betterments or enhancements to the existing utility system, except for meeting current State and local codes. Indirect costs of governmental entities incurred under a utility relocation agreement are eligible for FTA reimbursement only in accordance with an approved Cost Allocation Plan as prescribed in Office of Management and Budget (OMB) Circular A-87.

- d. Force Account. Force account is work other than grant or project administration that is included in an approved grant and performed by a grantee's own labor forces. Force account work may consist of design, construction, refurbishment, inspection, and construction management activities, if eligible for reimbursement under the grant. Incremental labor costs from flagging protection, service diversions, or other activities directly related to the capital grant may also be defined as force account work. Force account work does not include grant or project administration activities which are otherwise direct project costs. Force account also does not include work on rolling stock which is not a major capital project. An example of this is maintenance activities.

One of four conditions may warrant the use of a grantee's own labor forces. These are: (1) cost savings, (2) exclusive expertise, (3) safety and efficiency of operations, and (4) union agreement.

FTA prior review of a force account plan and justification are required where the total estimated cost of force account work to be performed under the grant is greater than \$10,000,000. When work to be performed is less than \$10,000,000 but over \$100,000, a force account plan is required to be in the grantee's file, but does not require prior FTA approval. When work to be performed using force account is less than \$100,000 a detailed plan is not required.

- (1) Basis for Reimbursement. Reimbursement for force account work is subject to the grantee providing the following:
- (a) Justification for using grantee forces;
 - (b) Preparation of a force account plan;
 - (c) A description of the Scope of Work;
 - (d) A copy of the construction plans and specifications which includes:

- 1 A detailed estimate of costs;
 - 2 A detailed schedule and budget; and
 - 3 A copy of the proposed Cooperative Agreement when another public agency is involved.
- (e) Submit documentation equivalent to a sole source justification stating the basis for a determination that no private sector contractor has the expertise to perform the work. In addition, the required documentation must provide the basis for the grantee decision to use force account labor including the following information;
- (f) Provide the present worth of the estimated cash drawdown for both the force account and private sector contract options. In the analysis, use the current interest rate paid on one-year Treasury Bills as the discount rate;
- (g) Include the cost of preparing documents; cost of administration and inspection; cost of labor, materials and specialized equipment; cost of overhead; and profit for private contract;
- (h) Include the unit prices for labor; materials and equipment; overhead; and profit, if applicable for private contract;
- (i) Provide certification that costs presented are fair and reasonable;
- (j) Provide an analysis of force account labor availability, considering normal operations and maintenance activities as well as other programmed and existing capital projects. This must be consistent with costs of labor, material, and specialized equipment; and
- (k) Provide relevant citations from labor union agreements and an analysis of how it pertains to the work in question.

Base the present value calculation on the midpoint of construction; and if the time for completion of the work differs for force account and a private sector contract, include an estimate of the cost of not using the completed improvement in the present worth calculation. For example, if the work is to replace leased facilities, the cost of continuing the lease until the work is complete should be taken into account in the cost estimate for each option considered.

Safety considerations may be addressed by a statement of the transit operator's safety officer that performing the work with private sector contractors would have an adverse effect on public safety. Efficiency concerns may be addressed by a present worth calculation, including an estimate of the value of lost transit operation efficiency.

Special care must be taken to ensure that requirements of OMB Circular A-87 are followed, especially for charging expendable property to force account projects and making sure that allowable costs are assigned to the correct activity codes.

Most general purpose equipment and tools can be used in force account work and thereby benefit more than one project. Therefore, the cost of these items normally should not be treated as a direct charge to the project. However, an appropriate use or depreciation charge is an allowable indirect cost if otherwise provided for in the project budget. Unusual circumstances may call for purchase of specialized equipment that is unique to the force account work that is being performed. If such equipment is required, prior FTA approval must be obtained. The usual FTA equipment disposition requirements apply.

The progress and status of force account activities should be separately discussed in milestone/project reports, with emphasis on schedule and budget.

- e. Seismic Standards & Reporting. New federally-funded buildings, and additions to existing buildings and bridges, built with Federal assistance must be designed and constructed in accordance with State, local, and industry required standards or codes. The applicant is responsible for determining before accepting delivery that the building complies with the seismic design and construction requirements and certifies to the same through the annual Certifications and Assurances, as required by 49 CFR Part 41.
- f. Value Engineering. Value Engineering (VE) is the systematic, multi-disciplined approach designed to optimize the value of each dollar spent. To accomplish this goal, a team of architects/engineers identifies, analyzes, and establishes a value for a function of an item or system. The objective of VE is to satisfy the required function at the lowest total costs (capital, operating, and maintenance) over the life of a project consistent with the requirements of performance, reliability, maintainability, safety, and esthetics.

(1) Applicability.

- (a) Major Capital Projects. It is FTA policy to require VE on major capital projects, and encourage the application of VE techniques to all construction projects. A major capital project is usually identified during the grant review application process. (See Chapter IV, paragraph 4.b, PMP for definition of major capital project.)
- (b) Non-Major Capital Projects. Grantees are encouraged to conduct VE on all construction projects including but not limited to bus maintenance and storage facilities, intermodal facilities, transfer facilities, revenue railcar acquisition and rehabilitation, and offices, with the level of VE study to be commensurate with the size of the project.

- (2) Timing. VE on a project should be performed early in the design process before major decisions have been completely incorporated into the design, at or near the end of preliminary engineering (PE) or at 30 percent of design. Some large or complex projects may need to conduct two VE studies.
 - (3) Reporting. Grantees with major capital projects are required to submit a VE report to the appropriate FTA Regional Office at the end of each Federal fiscal year indicating the results of their VE efforts. Copies of the VE report form are available in each regional office.
- g. Constructability and Design Peer Reviews. Peer review is a process used by the grantee in the planning, design and implementation of capital projects. The concept of peer review can be applied to any problem or situation where a second opinion can be useful to decision makers. FTA encourages the grantee to confer with other transit operations and maintenance experts in order to benefit from their experience. These reviews have been used to review rail extensions, New Starts projects, and transit facilities. These reviews have provided an in-depth critique of designs at the preliminary and final engineering stages. They have provided operations and maintenance information with respect to a variety of subsystems and have validated the process used by a grantee's planning staff to locate bus facilities. The purpose of constructability and design peer reviews is to improve the performance of the process or product being reviewed and optimize the design and subsequent construction of the project. The review should be able to answer such questions as: Can this be constructed? Is there a better process that could be employed to achieve the desired results? Is the product safe? Although the grantee is encouraged to conduct peer reviews with all capital projects, in some instances it may be required by FTA and the process should be fully documented through the recipient's document control process.
- h. Crime Prevention and Security Review. Grantees are encouraged to refine and develop security and emergency response plans and implement projects aimed at detecting chemical and biological agents in public transportation. Emergency response drills should be conducted with public transportation agencies and fully coordinated with local first response agencies. Other security training should be provided for public transportation employees that will serve to better prepare an agency during an emergency. Grantees are encouraged to perform crime prevention reviews during the design phase of all FTA funded transit facilities with particular focus on the incorporation and use of crime prevention through environmental design techniques. This review should serve to improve and increase the safety and security of an existing or planned transit system or facility for both transit patrons and transit employees. The level of review should be commensurate with the project size and scope. Local crime prevention professionals should be included in the review process. Review documentation should remain on file by the grantee and be available for FTA review upon request.

- i. Concurrent Non-Project Activities. Concurrent Non-Project Activities, also known as betterments are improvements to the transit project desired by the grant recipient that are not part of the base functioning of the Federal transit project. They are not integral to the base functioning of the transit project and are viewed as enhancements or upgrades to a level beyond what is normally required for the base functioning of the transit project. Examples of betterments include; increased utility pipe sizes, road widening projects for local reasons, environmental mitigation measures not identified in an environmental document, increased landscaping, signal upgrades beyond the base requirements of the transit project, etc. Costs for Concurrent Non-Project Activities are to be paid for by the grantee. Guidance should be obtained from the FTA Regional Office related to any overbuild situation to determine the Federal eligibility of such an activity. An example of an over-build situation is over-designing the foundation and base stories of a multi-story facility in order to better accommodate future vertical expansion of the project. Outside of a joint development project, such an over-build is generally not an allowable grant cost.
- j. FTA Technical Review. The grantee agrees to permit FTA to review and approve, as deemed necessary by FTA, the technical plans and specifications and requirements to the extent FTA believes necessary to ensure proper management and incorporation of FTA requirements.
- k. Construction Oversight. The grantee agrees to comply with any FTA request pertaining to its review of construction plans and specifications. The FTA Regional Office should be consulted to determine if FTA review and approval of construction plans and specifications is necessary to advance the project to the next level of design. The grantee agrees to provide and maintain competent and adequate engineering supervision at the construction site to ensure that the completed work conforms to the approved plans and specifications and that the intent of the scope of the project is carried out. To the extent applicable, the grantee agrees to comply with FTA Regulations, Project Management Oversight (PMO), 49 CFR Part 633, and any subsequent PMO regulations FTA may issue.
- l. Energy Conservation. The grantee agrees to comply with applicable mandatory energy efficiency standards and policies of applicable State energy conservation plans issued in accordance with the Energy Policy and Conservation Act, as amended, 42 U.S.C. Section 6321 et seq. The grantee, to the extent applicable, agrees to perform an energy assessment for any building constructed, reconstructed, or modified with FTA assistance, as provided in FTA regulations, "Requirements for Energy Assessments," 49 CFR Part 622, Subpart C. FTA assistance for the construction, reconstruction, or modification of buildings for which applications are submitted to FTA will be approved only after the completion of an energy assessment. An energy assessment shall consist of an analysis of the total energy requirements of a building, within the scope of the proposed construction activity and at a level commensurate with the project size and scope. The Energy Assessment should consider: overall design of the facility or modification; materials and techniques used in construction or rehabilitation; special

innovative conservation features that may be used; fuel requirements for heating, cooling, and operations essential to the function of the structure; projected over the life of the facility and including projected costs of this fuel; and energy to be used.

- m. Intelligent Transportation System (ITS). Grantees that have transportation projects that include ITS must be participants in a regional or statewide ITS Architecture process and their ITS projects must be included in the locally approved Regional ITS Architecture. Grantees are required to use a Systems Engineering process for the development of ITS projects.

CHAPTER V

FTA OVERSIGHT

1. **GENERAL.** The Federal Transit Administration (FTA) evaluates grantee adherence to grant administration requirements through a comprehensive oversight program. FTA's Master Agreement, which grantees and FTA sign, specifies these requirements. FTA determines compliance through self-certification and/or site visits. On an annual basis, FTA also completes the Grantee Oversight Assessment Questionnaire which serves as the basic document in FTA's Oversight Program. The purpose of the questionnaire is to assess each grantees need for oversight and the grantee's level of potential non-compliance with FTA requirements. The outcome serves as the primary basis for developing regional oversight plans and for allocating oversight resources among FTA regions for the upcoming fiscal year, which may include oversight reviews, regional meetings, and/or regional site visits.

FTA oversight reviews are categorized by general, program-specific, and project specific. The general reviews are the Triennial Reviews of grantees receiving Section 5307 Urbanized Area Formula Grants and the State Management Reviews of grantees receiving Section 5311 Non-Urbanized Area Formula Grants and Section 5310 Elderly Individuals and Individuals with Disabilities Programs. Program-specific reviews assess grantees compliance in a particular program, such as Financial Management Systems, Procurement, Civil Rights, or Safety and Security. Project level oversight includes the assignment of a Project Management Oversight (PMO) consultant and is frequently applied to major capital projects and/or projects participating in the New Starts Program.

FTA may conduct on-site inspections of projects to evaluate the grantee's effectiveness in implementing the project in conformance with the Grant Agreement. Inspection visits may be made, for example, to follow up on information received from the grantee about an event with significant impact on a project, or to determine whether the grantee has adequately complied with civil rights laws, regulations, and agreements. Inspection and concurrence by FTA in project work does not relieve the grantee of its responsibilities and liabilities as the responsible party for carrying out the grant.

2. **GENERAL REVIEWS.**
 - a. **Triennial Review.** FTA is required by law to perform reviews and evaluations of Urbanized Area Formula Program (Section 5307) grantees to evaluate formula grant management performance and grantee compliance with current FTA requirements. The reviews must be conducted for each formula grant recipient at least once every three years and integrated into FTA's grant management functions. The reviews are conducted by teams formed by FTA staff and outside contractors following an annual work program. Desk reviews are followed by a site visit. The team documents its findings and recommendations in a draft triennial review report, which is furnished to

the grantee for comment before it is released in final form to interested local, State and Federal officials.

When appropriate, corrective actions are recommended to resolve grantees' program management deficiencies. FTA monitors the grantee's actions until compliance with all program requirements is achieved. If needed, FTA can invoke sanctions to assure that grantees act to correct any noted program deficiencies.

- b. State Management Review. The State Management Review assesses a State's implementation and management of the Elderly Individuals and Individuals with Disabilities (Section 5310) and the Nonurbanized Area Formula Programs (Section 5311) to ensure they adhere to FTA requirements and meet program objectives. For more information on these programs, please reference the latest version of FTA Circulars 9040.1. and 9070.1.

3. PROGRAM-SPECIFIC REVIEWS.

- a. Financial Management Oversight (FMO) Program. Under the FMO program FTA conducts several types of reviews:
 - (1) The Full Scope Financial Management System (Full Scope) review requires FMO contractors to conduct a series of interviews, full transaction review, and appropriate substantive tests. The contractors determine that the grantee's financial management system meets the requirements of the Common Rule (49 CFR Part 18.20). The contractors then express an objective, external, independent, professional opinion to FTA, in accordance with established public accounting standards, on the effectiveness of the grantees internal control environment. An average review takes three to four weeks at the grantee's site;
 - (2) Follow-up reviews are primarily performed to ensure those recommendations resulting from full scope reviews are implemented and working properly. If FTA conducts this type of review, it will normally occur between 12–18 month after the full scope review;
 - (3) Financial Capacity Assessment (FCA) of selected grantees involved in major capital investment projects. This type of review assesses the financial capability of grantees to meet Full Funding Grant Agreement (FFGA) obligations and maintain their existing and planned transit operation. In cases where projects have progressed into construction, the contractors evaluate the financial capacity of grantees to complete the undertaking according to the terms, conditions, budgets, schedules, and commitments in the FFGA or as proposed in a Recovery Plan. Financial Capacity Assessments analyze plans to mitigate the risks associated with:
 - (a) provision of the required local share,

- (b) the ability to complete the project on schedule in the face of delayed or reduced Congressional appropriations, unanticipated conditions, or budget overruns, and
 - (c) the ability to operate and maintain the existing system, as well as the project, and
- (4) On a case-by-case basis, FTA conducts special analyses or special reviews related to grantees' financial management issues.
- b. Procurement Reviews. Conduct of procurement system reviews of FTA grantees involves a site visit to ensure that the requirements and standards of the Common Rule on administrative requirements for grants, 49 CFR Part 18.36 and the most recent version of FTA C 4220.1 as it specifically applies to procurements, are met.
- c. Civil Rights Reviews. Civil rights compliance is required by recipients and subrecipients of Federal assistance. FTA's Master Agreement specifies that compliance is required, and sets forth the terms and conditions governing the administration of a transit project or projects supported with FTA financial assistance. FTA grantees should be aware, however, that they may be subject to civil rights requirements established and enforced by other Federal agencies that may not recognize the FTA Master Agreement as dispositive of their responsibilities. FTA retains the right to review grantee compliance status at any time during the life of the project. Civil Rights reviews include Title VI, Disadvantaged Business Enterprise, Stop announcements and Paratransit compliance.
- d. Safety and Security Reviews:
 - (1) Drug and Alcohol Program. To support compliance with Department of Transportation (DOT) Drug and Alcohol requirements, FTA conducts audits to assess grantee and State implementation of 49 CFR Part 655. Based on data collected and analyzed from the Drug and Alcohol Management Information System (DAMIS), FTA monitors industry drug and alcohol testing rates and results. FTA assigns its own staff, plus contractor support, to audit grantees' drug and alcohol testing programs. These audits are scheduled based on analysis of DAMIS information and requests from FTA regional and metropolitan offices and grantees. These audits provide in-depth reviews of grantee and State programs, and include detailed examination of records and interviews with appropriate grantee personnel and their contractors and service agents, such as collection sites, medical review officers, substance abuse professionals and third party administrators. FTA manages this program using a Web-based auditing and reporting system.
 - (2) Security and Emergency Management Technical Assistance Reviews. In partnership with the Department of Homeland Security, Transportation Security Administration and the Federal Emergency Management Agency, National

Preparedness Directorate, FTA may provide on-site technical assistance and reviews to assess grantee activities to enhance the personal security of passengers and employees and to support core emergency response capabilities. FTA also coordinates with the Department of Homeland Security regarding reviews they conduct at grantees.

- (a) FTA Safety Oversight Audit Program. According to 49 CFR Part 659.7, FTA is required to monitor and evaluate compliance with FTA's State Safety Oversight Rule (49 CFR Part 659). FTA conducts triennial audits of each State designated to implement FTA's State Safety Oversight Rule for the rail transit agencies operating in its jurisdiction. For each audit, FTA assigns its own staff, plus contractor support, to review each State's program. These audits are scheduled based on analysis of annual reporting information provided by the States and requests from FTA regional and metropolitan offices. These audits provide in-depth reviews of each State's program, and include detailed examination of records and interviews with appropriate personnel and their contractors, at both the State Oversight Agency and the regulated rail transit agencies. The audits also provide a forum to recommend improvements to the effectiveness of the oversight program established by each State.
- (b) FTA Voluntary Bus Transit Safety and Security Reviews. To implement the terms of the Memorandum of Agreement (MOU) signed by FTA, the American Association of State Highway and Transportation Officials (AASHTO), the American Public Transportation Association (APTA), and the Community Transportation Association of America (CTAA), FTA conducts voluntary safety and security reviews at bus agencies throughout the country. These reviews assess each bus agency's safety and security activities against FTA's technical assistance baseline, and provide recommendations, effective practices, and model materials to support improvements in critical safety and security functions.
- (c) Safety and Security Management Plan Review. In Circular 5800.1, Safety and Security Management for Major Capital Projects, FTA explains its safety and security requirements for major capital projects. FTA requires grantees with projects covered under 49 CFR 633 to develop a Safety and Security Management Plan (SSMP), as a chapter or plan within the Project Management Plan (PMP). Before approving each PMP, FTA reviews the SSMP submission, and conducts site assessments at grantees that include records review, interviews, and on-site observation. This review must be completed before FTA can approve a grantee's PMP.

4. PROJECT LEVEL REVIEWS.

- a. Project Management Oversight (PMO). FTA conducts PMO for major capital projects, using its own staff or a combination of FTA and contractor staff. For general guidance, grantees are required to provide all needed information about each project selected for this oversight. PMO begins as early in project implementation as practical, usually during the preliminary engineering process. FTA may assign its own or contractor staff to provide special oversight or monitoring of major construction or equipment acquisition projects. Contractor staff is generally used for major projects.
- b. Financial Capacity. FTA conducts these reviews during the New Starts evaluation process and includes the results in the Annual Report on Funding Recommendations.
- c. Quarterly Project Management Meetings. Quarterly project management meetings may be instituted with selected grantees. These meetings will provide a forum for management briefings, status/progress reports, discussion of accomplishments and problems, and, as appropriate, an opportunity for site inspection. The quarterly meetings do not replace quarterly written reports unless a specific exemption is granted by FTA.
- d. Other Project Management Meetings. Other project management meetings may be instituted with select grantees on other times intervals at the discretion of the Regional Office. These meetings will provide a forum for management briefings, status/progress reports, discussion of accomplishments and problems and, as appropriate, an opportunity for site inspection. The quarterly meetings do not replace quarterly written reports unless a specific exemption is granted by FTA.

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CHAPTER VI

FINANCIAL MANAGEMENT

1. GENERAL. In this chapter we discuss the proper use and management of Federal funds the Federal Transit Administration (FTA) expects from its grantees. Financial management is one of the most important practices in the management of Federal funds.
2. INTERNAL CONTROLS.

- a. Definition. Internal controls are the organization plan, methods, and procedures adopted by the grantee to insure that effective control and accountability is maintained for all grant and subgrants, cash, real and personal property, and other assets. Grantees and subgrantees must ensure that resources are properly used and safeguarded, and that they are used solely for authorized purposes.
- b. General. FTA payments to a grantee are made electronically to meet the Federal share of eligible expenses under a grant.

The grantee's acceptance of an FTA grant obligates the grantee to use funds it receives as specified in the Grant Agreement. This creates a vested interest by the Federal Government in unused grant balances, any improperly applied funds and property, or facilities purchased or otherwise acquired under the grant whether funds are received by the grantee as an advance or by reimbursement.

Grantees and subgrantees are responsible for establishing and maintaining adequate internal control over all their functions that affect implementation of a grant.

For proper management of grants, these controls must be used by each grantee in all its operating, accounting, financial, and administrative systems. To assure proper accountability for grant funds, internal controls must be integrated with the management systems used by the grantee to regulate and guide its operations.

- c. Objectives. Resources must be used in accordance with applicable State, local, and Federal laws, regulations and policies, and the grant assistance agreement. Resources must be safeguarded against waste, loss, and misuse. Reliable data on resource use and safeguards must be accumulated, maintained and fairly disclosed in reports to grantee management and FTA. A proper system of internal controls will help the grantee to:
 - (1) Operate efficiently and economically;
 - (2) Keep obligations and costs within the limits of authorizations and legal requirements, consistent with accomplishing the purpose of the grant;
 - (3) Safeguard assets against waste, loss, and misuse;

- (4) Ensure timely collection and proper accounting of the grantee's operating and other revenues; and
 - (5) Assure accuracy and reliability in financial, statistical, and other reports.
- d. Necessary Elements. Certain elements are necessary to achieve these objectives and meet the standards discussed later in this chapter. Each facilitates the grantee's use of internal controls. These are:
 - (1) Reasonable assurance that internal controls are an integral part of the grantee's management systems;
 - (2) Existence of a positive and supportive attitude among grantee managers and employees;
 - (3) Assignment of internal control functions to competent and experienced employees;
 - (4) Identification of specific internal control objectives to assure that needs are identified and that valid controls are planned and implemented;
 - (5) Adoption of internal control policies, plans and procedures that reasonably assure their effectiveness, such as organizational separation of duties and physical arrangements such as locks and fire alarms; and
 - (6) The grantee should conduct regular program of testing to identify vulnerabilities in the internal control system.
- e. Standards of Internal Control and Audit Resolutions.
 - (1) General.
 - (a) Grantee management policies that govern grant implementation must be clearly stated, understood throughout the organization and conform to applicable legislative and administrative requirements.
 - (b) The grantee's formal organization structure must clearly define, assign, and delegate appropriate authority for all duties.
 - (c) Responsibility for duties and functions must be segregated within the organization to assure that adequate internal checks and balances exist. Grantees should pay particular attention to authorization, performance, recording, inventory control, and review functions to reduce the opportunity for unauthorized or fraudulent acts.
 - (d) A system of organizational planning should exist to determine financial, property, and personnel resource needs.

- (e) Written operating procedures should be simply stated, yet meet the grantee's operating, legal, and regulatory requirements. In developing its procedures, the grantee should consider such factors as feasibility, cost, risk of loss or error, and availability of suitable personnel. Other important considerations are the prevention of illegal or unauthorized transactions or acts.
 - (f) The grantee's information system must reliably provide needed operating and financial data for decision-making and performance review.
 - (g) Proper supervision must be provided and performance must be subject to review of an effective internal audit program.
 - (h) All personnel must be properly qualified for their assigned responsibilities, duties, and functions. Education, training, experience, competence, and integrity should be considered in assigning work. All must be held fully accountable for the proper discharge of their assignments.
 - (i) Expenditures must be controlled so that construction, equipment, goods, and services are acquired and received as contracted for (as to quality, quantity, prices, and time of delivery). Authorizations for expenditures must conform to applicable statutes, regulations, and policies.
 - (j) All real property, equipment, expendables, and funds must be safeguarded to prevent misuse, misappropriation, waste, or unwarranted deterioration or destruction.
- (2) Internal Control Self-Assessment. Grantees should evaluate its internal control and financial management systems to ensure that it has effective internal controls and financial management systems. To assist with the evaluation, FTA has established an Internal Control Self-Assessment Form. The form is designed to provide transit agency management staff with the information necessary to evaluate the agency's internal control and financial management system. The form is based on the criteria for effective internal control as set forth in Internal Control—Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Committee (the COSO Report), as well as the criteria for effective financial management systems established by FTA, based on 49 CFR Part 18, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments (the "Common Rule"). Grantees may access this form at the following website:
[http://www.fta.dot.gov/documents/FTA Internal Control Self-Assessment Tool.pdf](http://www.fta.dot.gov/documents/FTA_Internal_Control_Self-Assessment_Tool.pdf).
- (3) Financial Management Systems.
- (a) States: A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds.

Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:

- 1 Permit preparation of reports required by the Common Rule, 49 CFR Part 18 and the statutes authorizing the grant, and
 - 2 Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.
- (b) Entities other than a State: The financial management systems of other grantees and subgrantees must meet the following standards:
- 1 Financial Reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with financial reporting.
 - 2 Accounting Records. Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.
 - 3 Internal Control. Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes.
 - 4 Budget Control. Actual expenditure or outlays must be compared with budgeted amounts for each grant or subgrant. Financial information must be related to performance or productivity data, including the development of unit cost information whenever appropriate or specifically required in the grant or subgrant agreement. If the unit cost data are required, estimates based on available documentation will be accepted whenever possible.
 - 5 Allowable Cost. Applicable Office of Management and Budget (OMB) cost principles, agency program regulations, and the terms of grant and subgrant agreements will be followed in allowability and allocability of costs.
 - 6 Source Documentation. Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract, and subgrant award documents.

- Project costs must specifically relate to the purpose of the grant contract and the latest approved project budget. Grantees may incur costs of both a direct and indirect nature. Direct costs are costs that can be identified specifically with a particular cost objective. These costs may be charged directly to a grant, contracts, or to other programs against which costs are finally lodged. All direct costs, even for project administration activities, must be adequately supported with proper documentation. For example, all

labor charges must be supported with time and attendance (T&A) records. Indirect costs must be supported by an approved Cost Allocation Plan and/or Indirect Cost Rate Proposal.

Care must be exercised when incurring costs to ensure that all expenditures meet the criteria of eligible costs. Failure to exercise proper discretion may result in expenditures for which use of project funds cannot be authorized.

- b. Allowable Costs. The criteria that govern the eligibility of project costs are listed below. These criteria are drawn from OMB Circular A-87. To be allowable under a grant program, costs must meet the following general criteria:
- (1) Be necessary and reasonable for proper and efficient administration of the grant program, be allowable under the principles contained in the OMB circulars and except as specifically provided in this circular, not be general expenses required to carry out the overall responsibilities of State or local governments;
 - (2) Be authorized or not prohibited under State or local laws or regulations;
 - (3) Conform to any limitation or exclusions set forth in the principles, Federal laws, or other governing limitations as to types or amounts of cost items;
 - (4) Be consistent with policies, regulations, and procedures that apply uniformly to both federally-assisted and other activities of the unit of government of which recipient is a part;
 - (5) Be treated consistently. A cost may not be assigned to a Federal grant as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal grant as an indirect cost;
 - (6) Be determined in accordance with generally accepted accounting principles (GAAP) appropriate to the circumstances;
 - (7) Not be allocable to or included as a cost of any other federally-financed program in either current or prior periods;
 - (8) Be net of all applicable credits;
 - (9) Be adequately documented, and
 - (10) Not be incurred prior to grant award unless specifically provided for in a Letter of No Prejudice (LONP) or equivalent document approved by FTA, or in the pre-award authority as described in the Federal Register listing of the Annual Apportionments.
- c. Disallowed Costs. In determining the amount of Federal assistance FTA will provide, FTA will exclude:

- (1) Any project costs incurred by the grantee prior to the date of either the approved grant or the approved project budget (whichever is earlier), unless specifically provided for in a LONP or equivalent document approved by FTA, or in the pre-award authority as described in the Federal Register listing of the Annual Apportionments; and
- (2) Any costs attributable to goods or services received under a contract or other arrangement that is required to be, but has not been, concurred in or approved in writing by FTA.

The grantee agrees that reimbursement of any cost in accordance with indicated payment methods for an approved grant or cooperative agreement does not constitute a final FTA decision about the allowability of that cost and does not constitute a waiver of any violation by the grantee of the terms of approved grant or cooperative agreement. If the government determines that the grantee is not entitled to receive any part of the Federal funds requested, the government will notify the grantee stating the reasons. Project closeout will not alter the recipient's obligation to return any funds due to FTA as a result of later refunds, corrections, or other transactions. Nor will project closeout alter FTA's right to disallow costs and recover funds on the basis of a later audit or other review. Unless prohibited by law, FTA may offset any Federal assistance funds to be made available under a grant necessary to satisfy any outstanding monetary claims that FTA may have against the grantee. Exceptions pertaining to disallowed costs are set forth in FTA directives or in other written Federal guidance.

6. INDIRECT COSTS.

- a. General. OMB Circular A-87, "Cost Principles for State and Local Governments," requires grantees who intend to seek payment for indirect costs to prepare a Cost Allocation Plan or an Indirect Cost Rate Proposal. Cost Allocation Plans and/or Indirect Cost Rate Proposal s must be approved by FTA or another cognizant Federal agency.
- b. Definitions. Indirect costs, as defined in OMB Circular A-87, are costs that are:
 - (1) Incurred for a common or joint purpose benefiting more than one cost objective;
 - (2) Not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved; and
 - (3) Originating in the grantee department, as well as those incurred by other departments in supplying goods, services, and facilities to the grantee department.

Examples of indirect costs are administrative, operational and expenses of unit heads and their immediate staff. Principles and standards for determining costs applicable to grants and contracts with grantees or other State or local agencies are

presented in OMB Circular A–87, and the appropriate Department of Health and Human Services (DHHS) publication, ASMB C–10.

- c. Cognizant Federal Agency. Cognizance is generally assigned to the Federal agency that provides the predominant amount of dollar involvement with a grantee organization within a given State or locality. (OMB has assigned cognizant audit agencies for State and local governments—Federal Register, 1–06–86.) In those cases where a grant recipient is not assigned a cognizant agency, these grantees will be under the general oversight of the Federal agency that provides them the most funds; which will also be identified as the “lead” Federal agency.
- d. Types of Plans. There are two types of cost plans presented in OMB Circular A–87.
 - (1) The first type of plan covers a Cost Allocation Plan that distributes the costs of a State/local government’s executive and central level support functions to those operating organizations (usually at a lower tier level) within the government which benefit from them. These documents are also referred to as a Statewide or local-wide cost allocation plans (SWCAPs/LWCAPs). All SWCAPs must be submitted annually to DHHS for approval. DHHS is the cognizant agency for all States. Similarly, the LWCAPs of designated major cities and counties must also be submitted annually to DHHS or to another Federal cognizant agency. The costs approved under these plans may, at the option of the State or local government, be incorporated in the Indirect Cost Rate Proposals of a grantee agency within the government.
 - (2) The second type of plan covers an Indirect Cost Rate Proposal which is a financial document that is updated annually, at the operating agency level, which distributes the administrative support and/or overhead costs of that agency to the programs (and the grants and contracts) which benefit from them. An Indirect Cost Rate Proposal may include the allocable portion of State or local central service costs approved in the SWCAP/LWCAP.

As required by OMB Circular A–87, DHHS has issued an implementing guide for State, local, and Indian tribal governments. The guide, ASMB C–10, is intended to assist in applying OMB Circular A–87, which provides principles and standards for determining costs applicable to Federal grants and contracts. The procedures in the guide are applicable to grants and contracts awarded by all Federal agencies and have been developed in coordination with the Office of Management and Budget. This document can be ordered from the Government Printing Office (GPO), Superintendent of Documents, Mail Stop: SSOP, Washington, DC 20402–9328, 202–512–1800, or, on the DHHS website at:
<http://rates.psc.gov/fms/dca/asmb%20c-10.pdf>.

Refer to Appendix E regarding additional information on Cost Allocation Plan and/or Indirect Cost Rate Proposal development.

7. PROGRAM INCOME.

- a. General. FTA's program income policies are in the Common Rule at 49 CFR Part 18. Grantees are encouraged to earn income to defray program costs. Program income means:
 - (1) gross income received by the grantee or subgrantee directly generated by a grant supported activity, or
 - (2) earned only as a result of the Grant Agreement during the grant period (the time between the effective date of the grant and the ending date of the grant reflected in the final financial report.
- b. Program income includes income:
 - (1) from fees for services performed,
 - (2) from the use or rental of real or personal property acquired with grant funds,
 - (3) from the sale of commodities or items fabricated under a Grant Agreement, and
 - (4) from payments of principal and interest on loans made with grant funds.

Except as otherwise provided in regulations of the Federal agency, program income does not include interest on grant funds, rebates, credits, discounts, refunds, etc., and interest earned on any of them.
- c. Cost of generating program income. If authorized by Federal regulations or the Grant Agreement, costs incident to the generation of program income may be deducted from gross income to determine program income.
- d. Governmental revenues. Taxes, special assessments, levies, fines, and other such revenues raised by a grantee or subgrantee are not program income unless the revenues are specifically identified in the Grant Agreement or Federal agency regulations as program income.
- e. Property. Proceeds from the sale of real property or equipment will be handled in accordance with the requirements of Sections 18.31 and 18.32.
- f. Use of program income. FTA allows its grantee to keep program income and use it for allowable activities in 49 U.S.C. Chapter 53; that is for capital, planning, or operating expenses. Program income may not be used to reduce the local share of the grant from which it was earned, but may be used in future grants.

If grantees choose not to use program income for public transportation purposes, then it shall be deducted from total allowable costs to determine the net allowable costs.

- g. Income after the grant period. There are no Federal requirements governing the disposition of program income earned after the end of the grant period (i.e., until the ending date of the final financial report), unless the terms of the agreement or the Federal agency regulations provide otherwise.

8. ANNUAL AUDIT.

- a. General. OMB Circular A–133, “Audits of States, Local Governments, and Non-Profit Organizations” and the most recent version of the OMB Circular A–133 Compliance Supplement provide the requirements for annual audits of grant recipients. Both documents are available on the OMB website at:
www.whitehouse.gov/omb/circulars/a133.
- b. Requirement. Grantees that expend \$500,000 or more in a year in Federal funds from all sources shall have a single audit conducted, except when they elect to have a program-specific audit conducted.

FTA grantees are required to obtain the services of an independent auditor to conduct a single audit each year in conformance with OMB Circular A–133, except where a State constitution or statute provides for a single biennial audit.

Grantees are required to submit one copy of its annual single audit report to FTA if the audit report contains any findings and recommendations related to the FTA program or other USDOT program findings; or in those cases where the audit report does not contain any FTA findings or recommendations, a copy of only Federal Clearinghouse transmittal sheet “the Data Collection Form for Reporting on Audits of States, Local Governments, and Non-Profit Organizations, OMB Form SF–SAC” should be submitted to the FTA Regional or Metropolitan Office.

Grantees shall keep one copy of the data collection form and one copy of the audit reporting package on file for three years from the date of submission to the Federal clearinghouse. Pass-through entities shall keep subrecipients’ submissions on file for three years from date of receipt.

- c. Purpose. The purpose of the single annual audit report is to determine whether the grantee:
 - (1) Prepared financial statements that fairly present its financial position and the results of its financial position and the results of its financial operations in accordance with generally accepted accounting principles;
 - (2) Has in place internal accounting and other control systems to provide reasonable assurance that it is managing Federal financial assistance programs in compliance with applicable laws and regulations; and

- (3) Has complied with laws and regulations that may have material effect on its financial statements and on each of its major Federal assistance programs.

The annual single audit is to be performed by an independent auditor who is required to determine and report on whether the grantee has internal control systems that reasonably assure it is managing Federal assistance programs in compliance with applicable laws and regulations.

Grantees are required to determine whether certain subgrantees spend Federal assistance funds they receive in accordance with applicable laws and regulations. Audit judgment concerning the grantee's determination is left to the independent auditor.

- d. Resolution of Audit Findings. Grantees and subgrantees are responsible for prompt resolution of all audit findings and recommendations. This responsibility requires that the grantee:

- (1) Promptly evaluate the report;
- (2) Determine the appropriate follow-up actions and establish a date for their completion; and
- (3) Complete all required actions within the established period of time.

Deficiencies or opportunities for improvement identified in an audit must be resolved by the grantee. The resolution of audits begins with FTA's report to the grantee and continues until the grantee corrects identified deficiencies, implements needed improvements, or demonstrates that the findings or recommendations are not valid or do not warrant management action.

The audit is not resolved until FTA concurs in the documentation of steps taken to implement any needed corrective actions. The status of outstanding audit findings and recommendations should be monitored and reported by the grantee in quarterly progress reports and, where appropriate, significant events reported.

9. PAYMENT PROCEDURES.

- a. General. Provisions in 49 CFR Parts 18 and 19 and 31 CFR Part 205 govern payments to recipients for financing operations under Federal grant and other programs. These regulations require that payment to a grantee be limited to the minimum amounts needed and timed so as to be in accord only with the actual, immediate cash requirements of the grantee in carrying out the approved project.

Before you request funds, verify in the Transportation Electronic Award and Management (TEAM) system that funds are available for the project. Funds should not be requested in amounts greater than the "Available Funds" reported in TEAM.

- b. Payment Methods. FTA makes all payments by the Treasury's Automated Clearing House (ACH) method of payment, regardless of the dollar amount involved. ACH electronically sends payment to a payee's bank for deposit to their bank account. The cash payments to grantees are made using various methods of payments.
- (1) Electronic Clearing House Operation (ECHO) Payment. ECHO is a personal computer (PC) based application that processes draw down requests and makes payments to FTA grantees. ECHO consists of a Web-based application which grantees can access via the Internet to submit their draw down data. ECHO then transmits requests approved for payment to the Grantee's financial institution through Treasury's ACH process. For further information, see FTA's "ECHO System Users Manual for Grantees," at:
<http://www.fta.dot.gov/documents/ECHOWebGranteeUserManual.pdf>.
 - (2) Requisition Payment. FTA grantees that are paid through a requisition process are also eligible to be paid from the ECHO payment system. However, if a requisition payment is used, Standard Form 270 (SF-270), "Request for Advance or Reimbursement" form is required to be submitted to the Federal Aviation Administration, Enterprise Service Center (ESC) in Oklahoma, City. Instructions for completing SF-270 and the ESC's mailing address can be found in Appendix F.
- c. ECHO Policy. If payment is made under ECHO, by means of an ECHO Control Number (ECN), the grantee agrees to comply with the requirements of 49 CFR Parts 18 and 19, and 31 CFR, Part 205, and as described in FTA's ECHO System User Manual for Grantees.

Disbursement guidelines are in accordance with policies established in Department of Treasury Circular 1075, Part 205, "Withdrawal Of Cash From The Treasury For Advances Under Federal Grant And Other Programs," and by FTA financing agreements. These guidelines state that the recipient organization shall commit itself to:

- (1) Initiating cash draw downs for immediate disbursement needs meaning three business days. Excess Federal funds held more than three days must be returned to FTA along with any interest earned. See (e) Repayment to FTA for detailed information on requirement to remit interest.
- (2) Timely reporting of cash disbursements and balances as required by the Federal program agency (FTA).
- (3) Imposing the same standards of timing and amount upon any secondary recipient organizations.
- (4) Limiting draw downs to eligible project costs, which would include NOT drawing down funds for a project in an amount that would exceed the sum obligated by FTA or the current available balance for that project.

- (5) Providing control and accountability for all project funds consistent with FTA requirements and procedures for use of the ECHO System.
- (6) Furnishing reports of cash disbursements and balances, when required by means of the Financial Status Report (FSR).

d. Excessive or Premature Withdrawals.

- (1) General. For excess payments made by the Federal Government to the grantee that do not qualify as a “claim” for purposes of the Debt Collection Act of 1982, as amended, 31 U.S.C. Sections 3701 et seq., the recipient agrees that the amount of interest owed to the Federal Government depends on whether the recipient is a State or State instrumentality.
 - (a) A recipient that is a State or State instrumentality agrees that interest owed to the Federal Government will be determined in accordance with Treasury regulations, “Rules and Procedures for Efficient Federal State Funds Transfers,” 31 CFR Part 205 that implements Section 5(b) of the Cash Management Improvement Act of 1990, as amended, 31 U.S.C. Section 6503(b).
 - (b) A recipient that is neither a State nor a State instrumentality agrees that common law interest owed to the Federal Government will be determined in accordance with joint Treasury/DOJ regulations, “Standards for the Administrative Collection of Claims,” at 31 CFR Section 901.9(i).
- (2) Exceptions. The only exceptions to the requirement for prompt refunding are when the funds involved:
 - (a) Will be disbursed by the grantee within seven calendar days; or
 - (b) Are less than \$10,000 and will be disbursed within 30 calendar days.

These exceptions to the requirement for prompt refunding should not be construed as approval for a grantee to maintain excessive funds. They are applicable only to excessive amounts of funds which are erroneously drawn.

- (3) Return of Funds. The return of funds is accomplished as follows:
 - (a) FTA requests the recipients to electronically remit the excessive cash and any interest to FTA using the U.S. Treasury’s Pay.Gov Financial Collection System (<https://www.Pay.Gov>).
 - (b) Although paper checks are discouraged, grantees may mail refund checks to FAA (FTA’s Accounting Service Center) in Oklahoma, City. If a single check is used to remit the premature withdrawal and the interest, the amount

of each must be separately identified; and accompanied by a letter explaining the purpose of the check(s) and identifying the project number. A copy of the check and the letter should be sent to the grantee's Regional Office. Additional information pertaining to the mailing of checks is located in Appendix E.

- e. Repayment to FTA. FTA program managers will be alert to any information which may indicate a potential repayment. The following are possible reasons for payments becoming due to FTA:
 - (1) insufficient non-Federal funds to match Federal payments;
 - (2) the sale of project equipment; or
 - (3) excessive Federal funds in the project account.
- f. Repayment Procedure. Required repayments must be made promptly to FTA. Grantees can submit repayments through the Treasury's Pay.Gov Financial Collection System (<https://www.Pay.Gov>) for all refunds and repayments or by check using these steps:
 - (1) Make the check payable to "Federal Transit Administration."
 - (2) Mail all checks to the FAA/Federal Transit Account.
 - (3) Specify applicable project number(s) on the check.
 - (4) Provide written explanation as to purpose of payment.
 - (5) Send a copy of the check and the explanatory letter to the grantee's regional or metropolitan office.
 - (6) If the project is on ECHO, the amount may be repaid through a credit on the FTA drawdown message. This credit must be shown in full and not netted against any amount being claimed on the same project, unless an appropriate credit is shown for the original project, with a charge to the new project.
- g. Requirement to Remit Interest. Under Section 107.f. of the Federal Transit Administration Agreement Terms and Condition, company or grantee organizations shall be required to remit any interest earned on excess Federal funds drawn down and failed to spend for eligible project activities, or were held in excess of three calendar days. Payments of interest must be made by using the Pay.Gov Financial Collection System.

Unless waived by FTA, interest will be calculated at rates imposed by the Department of the Treasury (<http://fms.treas.gov/>) beginning on the fourth day after the funds were deposited in the company or grantee organization's bank or other financial depository. Upon notice by FTA to the company or grantee organization of specific amounts due,

the company or grantee organization shall promptly remit to FTA any excess Federal fund payments, including any interest due.

- h. De-obligation of funds. FTA reserves the right to deobligate unspent Federal funds prior to project closeout.
- i. Debt Service Reserve. Transit agencies that use debt financing in the form of bonds are often required by the terms of the Bond Indenture to establish Debt Service Reserve (DSR). The Bond Trustee is required to establish a DSR with the proceeds of the bond issue. Usually, the DSR remains untouched for the term of the bonds, and is used to make a subsequent debt service payment ONLY if the recipient has insufficient funds to do so. If the DSR is used in this way, the recipient must replenish the DSR from its own funds and within the time frames outlined in the Bond Indenture or be in default. When there is no default, the balances remaining in the DSR are used to make the last debt service payment to the extent of such balances. Required DSRs may now be funded with FTA grant funds. However to the extent of FTA funding, any particular DSR may only be used to pay principal and/or interest on the bonds. Therefore, grantees intending to fund a DSR with FTA funds may also wish to include some non-FTA funds if the terms of the Bond Indenture allow use of DSR for other items such as late fees or Bond Trustee expenses related to default.
- j. Right of FTA to Terminate. The grantee agrees that, upon written notice, FTA may suspend or terminate all or part of the financial assistance provided herein if the grantee is, or has been, in violation of the terms of the approved grant, or if FTA determines that the purposes of the statute under which the project is authorized would not be adequately served by continuation of Federal financial assistance for the project. Any failure to make reasonable progress or other violation of the approved grant that significantly endangers substantial performance of the project shall be deemed to be a breach of the approved grant.

In general, termination of any financial assistance under the approved grant will not invalidate obligations properly incurred by the grantee and concurred in by FTA before the termination date, to the extent those obligations cannot be canceled. However, if FTA determines that the grantee willfully misused FTA assistance funds by failing to make adequate progress; to make reasonable use of the project real property, facilities, or equipment; or to honor the terms of the approved grant, FTA reserves the right to require the grantee to refund the entire amount of Federal funds provided herein or any lesser amount as may be determined by FTA.

Expiration of any project time period established for this project, does not, by itself constitute an expiration or termination of the approved grant.

Neither the receipt by the grantee of any Federal funds for the project nor the closeout of Federal financial participation on the project shall constitute a waiver of any claim that FTA may otherwise have arising out of the approved grant.

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APPENDIX A
TEAM REPORTING REQUIREMENTS

Will insert later.

Will include FSR and MPR screens from TEAM and instructions

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APPENDIX B

REAL ESTATE ACQUISITION MANAGEMENT PLAN

A Model for the development of a Real Estate Acquisition Management Plan (RAMP)

1. GENERAL. The purpose of a RAMP is to guide the assessment of real estate goals and the methodology for real estate acquisition. RAMPs are the grantee's planning tool. If done correctly, they will identify schedule issues, difficult parcels, the need for expanded advisory assistance, and staff issues. For projects participating in the New Starts or Small Starts programs, RAMPs are required as part of the Project Management Plan (PMP).
2. RAMP CONTENT.
 - a. Introduction.
 - (1) Short history of pertinent elements of project
 - (2) Control agreements; intergovernmental contracts, pending solicitations, etc.
 - (3) Legal requirements; Uniform Act, various State laws, local requirements, etc.
 - (4) Geographical description of project
 - (5) Physical description of proposed acquisitions; number of parcels, total acquisitions, partial acquisitions, anticipated number of relocations; etc.
 - (6) General outline of process; and authority to condemn
 - b. Organizational Structure.
 - (1) Identification of staff functions
 - (2) Identification of contractual functions
 - (3) Identification of plan source; process for plan changes, corrections, modifications as a result of negotiations, etc.
 - (4) Party who can establish offer of just compensation
 - (5) Party who can authorize condemnation
 - c. Acquisition Schedule.
 - (1) Set out the timeframe for acquisition and relocation; total length of time needed
 - (2) Date for initiation of negotiations for project

- (3) Difficulties and potential delays
- (4) How will progress reporting be handled and who will receive this information
- (5) Identification of a critical path for right of way
- d. Real Estate Cost Estimate.
 - (1) Background of estimate; when was it done; what was the basis of the estimate
 - (2) Need for any update of cost estimate
 - (3) How will estimate be compared to actual costs as project progresses
- e. Acquisition Process.
 - (1) Plans—who prepares, who can modify, what is process for considering property owner’s request to modify, etc.
 - (2) Ownership and title information—how is this gathered, what is the contractual requirements, are those contracts in place, what is the process to update and correct errors and omissions
 - (3) Appraisal—who will do appraisals, what is the contracting requirements if necessary, what is the estimate duration of this task, how many copies of appraisals will be obtained, will appraisals be shared with property owners
 - (4) Appraisal Review process—who will do this task, what is the scope of the task in general, what is the turn around time for this work, will the review handle updates of appraisals, will review handle modification of appraisals based on owner claims, will review be used to support administrative settlements
 - (5) Establishment of offer of Just Compensation—who does this, what is the basis of this offer
 - (6) Negotiations—who will negotiate, what is their authority, who must approve administrative settlements and other concessions to property owners, what is the documentation required of the negotiations process, who signs letter of offer, will negotiator also handle relocation payments, how is interface between negotiations and condemnation handled, what documents will negotiator be expected to provide to legal for settlement and condemnation, will negotiator be present at closing
 - (7) Closing/Escrows—who will provide this service, how will it function, what is the estimated length of time to deposit funds to escrow for closing, what documents will be necessary, how will closings be conducted, what form of deeds will be used, how will property taxes be paid and exempted

- (8) Condemnation—who will authorize suits, who will file, what is relationship between grantee and its legal personnel, what authority does attorney have for settlement, what are progress reporting requirements

f. Relocation.

- (1) Staffing and Administration—how will the relocation function be staffed, who is authorized to compute payments, who will approve payments, what is the relocation process to be utilized in the project, what level of advisory services will be needed, who will provide advisory services, what is the claims payment process, what is the time to pay a relocation claim, what authority and controls will be needed for advanced claims, what documentation will be retained in the files, what forms will be used
- (2) Appeals—what is the legal requirements for administrative appeals, how will the agency establish and staff an appeal function, who is the recipient of appeal requests, what is the appeal process

g. Other Components.

- (1) Document Control—How are documents filed, what length of time will original paper documents be maintained, what is the organization of parcel files, condemnation files, etc., what is the contents of a typical file
- (2) Property management—who will perform property management, what is included in the Scope of Work for property management, who contracts for demolition, what are contracting requirements, what are reporting requirements, statement of policy regarding rental property for extended possession by tenants and owners
- (3) Excess property inventory and utilization plan—who will prepare and track excess parcels, what is the process to evaluate these tracts, who will determine when to sell excess, what is the disposition of proceeds, what are agency, State, or local restrictions on the sale of public property

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APPENDIX C

GUIDE FOR PREPARING AN APPRAISAL SCOPE OF WORK

1. **GENERAL**. The Scope of Work is a written set of expectations that form an agreement or understanding between the appraiser and the agency as to the specific requirements of the appraisal, resulting in a report to be delivered to the agency by the appraiser. It includes identification of the intended use and intended user; definition of market value; statement of assumptions and limiting conditions; and certifications. It should specify performance requirements, or it should reference them from another source, such as the agency's approved Right-of-Way or Appraisal Manual. The Scope of Work must address the unique, unusual, and variable appraisal performance requirements of the appraisal. Either the appraiser or the agency may recommend modifications to the initial Scope of Work, but both parties must approve changes.
2. **EXAMPLE**. The example below is intended to be a guide for agencies preparing a Scope of Work for real estate appraisals.
 - a. **Scope of Work**: The appraiser must, at a minimum:
 - (1) Provide an appraisal meeting the agency's definition of an appraisal or at a minimum the definition must be compatible with the definition found at 49 CFR 24.2(a)(3).
 - (2) Afford the property owner or the owner's designated representative the opportunity to accompany the appraiser on the inspection of the property.
 - (3) Perform an inspection of the subject property. The inspection should be appropriate for the appraisal problem, and the Scope of Work should address:
 - (a) The extent of the inspection and description of the neighborhood and proposed project area,
 - (b) The extent of the subject property inspection, including interior and exterior areas, and
 - (c) The level of detail of the description of the physical characteristics of the property being appraised (and, in the case of a partial acquisition, the remaining property).
 - (4) In the appraisal report, include a sketch of the property and provide the location and dimensions of any improvements. Also, it should include adequate photographs of the subject property and comparable sales and provide location maps of the property and comparable sales.

- (5) In the appraisal report, include items required by the acquiring agency, usually including the following list:
 - (a) The property right(s) to be acquired, e.g., fee simple, easement, etc.,
 - (b) The value being appraised (usually fair market value), and its definition,
 - (c) Appraised as if free and clear of contamination (or as specified),
 - (d) The date of the appraisal report and the date of valuation,
 - (e) The realty/personalty report required at 49 CFR 24.103(a)(2)(i),
 - (f) The known and observed encumbrances, if any,
 - (g) Title information,
 - (h) Location,
 - (i) Zoning,
 - (j) Present use, and
 - (k) At least a 5-year sales history of the property.
 - (6) In the appraisal report, identify the highest and best use. If highest and best use is in question or different from the existing use, provide an appropriate analysis identifying the market-based highest and best use.
 - (7) Present and analyze relevant market information. Specific requirements should include research, analysis, and verification of comparable sales. Inspection of the comparable sales should also be specified.
 - (8) In developing and reporting the appraisal, disregard any decrease or increase in the fair market value of the real property caused by the project for which the property is to be acquired or by the likelihood that the property would be acquired for the project. If necessary, the appraiser may cite the Jurisdictional Exception or Supplemental Standards Rules under Uniform Standards of Professional Appraisal Practice (USPAP) to ensure compliance with USPAP while following this Uniform Act requirement.
 - (9) Report his or her analysis, opinions, and conclusions in the appraisal report.
- b. Additional Requirements for a Scope of Work:

- (1) Intended Use: This appraisal is to estimate the fair market value of the property, as of the specified date of valuation, for the proposed acquisition of the property rights specified (i.e., fee simple, etc.) for a federally-assisted project.
- (2) Intended User: The intended user of this appraisal report is primarily the acquiring agency, but its funding partners may review the appraisal as part of their program oversight activities.
- (3) Definition of Market Value: This is determined by State law, but includes the following:
 - (a) Buyer and seller are typically motivated;
 - (b) Both parties are well informed or well advised, each acting in what he or she considers his or her own best interest;
 - (c) A reasonable time is allowed for exposure in the open market;
 - (d) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
 - (e) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.
- (4) Certification: The required certification should be in the State's approved Appraisal Procedures or part of State law.
- (5) Assumptions and Limiting Conditions: The appraiser shall state all relevant assumptions and limiting conditions. In addition, the acquiring agency may provide other assumptions and conditions that may be required for the particular appraisal assignment, such as:
 - (a) The data search requirements and parameters that may be required for the project.
 - (b) Identification of the technology requirements, including approaches to value, to be used to analyze the data.
 - (c) Need for machinery and equipment appraisals, soil studies, potential zoning changes, etc.
 - (d) Instructions to the appraiser to appraise the property "As Is" or subject to repairs or corrective action.
 - (e) As applicable include any information on property contamination to be provided and considered by the appraiser in making the appraisal.

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APPENDIX D

FLEET STATUS REPORT

1. **GENERAL**. Whether an agency is replacing vehicles that have met the minimum useful life or disposing of vehicles before they reach the minimum useful life, the fleet status report should include the following information:

- a. Vehicle Number
- b. Year
- c. Make/Model
- d. Vehicle Identification Number (VIN)
- e. Date Placed in Revenue Service
- f. Date Removed from Revenue Service
- g. Minimum Useful Life (Years and Miles)
- h. Mileage (At the time Removed from Revenue Service)
- i. Total Number of Vehicles
- j. Total Number of Peak Vehicle Requirements
- k. Total Number of Spare Vehicles

If the request for replacement or early disposition coincides with a new grant application, the information can be provided in the Transportation Electronic Award and Management (TEAM) system using the Fleet Status screen. The use of the Fleet Status screen is explained in Federal Transit Administration's (FTA's) pre-award circulars and in the TEAM User Guide. Another alternative is to prepare a report, see example in Section four of this appendix..

2. **REPLACEMENTS AT THE END OF MINIMUM USEFUL LIFE**. Fleet Status reports must accompany a request for a replacement vehicle that has met its minimum useful life. The report will be used to verify that a vehicle has met the minimum useful life and that there is no remaining Federal interest. Please note that while the remaining Federal interest might be zero, if the asset's value exceeds \$5,000, FTA may still be entitled to reimbursement. See Chapter IV, Disposition, for more information about project property valued over \$5,000.
3. **EARLY DISPOSITION**. Fleet Status Reports must accompany a request for early disposition of vehicles. The report will be used to verify the remaining Federal interest in the vehicles.

4. EXAMPLE. An example of a Fleet Status Report for vehicles pending disposal with and without remaining Federal interest, is shown below.

Fleet Status Report
TransAmerica Buses

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
Veh #	Vehicle Year	Make/Model or Vehicle Description	Date in Service	Out of Service	Fed Useful Life (yr)	Actual Service (yr)	Remaining yrs	Remaining % based on yrs	Actual Mileage	Minimum Useful life Mileage	Remaining % based on miles	Total Federal Share	Remaining Fed Share based on yrs	Remaining Fed Share based on miles
151	2000	30' New Flyers	09/01/00	09/01/07	7	7.0	0.00	-0.04%	200,000	200,000	0.00%	\$120,000	-	-
152	2000	30' New Flyers	09/01/00	09/03/07	7	7.0	-0.01	-0.12%	200,000	200,000	0.00%	\$120,000	-	-
154	2000	30' New Flyers	09/01/00	09/02/07	7	7.0	-0.01	-0.08%	210,000	200,000	-5.00%	\$120,000	-	-
155	2000	30' New Flyers	09/01/00	09/02/07	7	7.0	-0.01	-0.08%	205,000	200,000	-2.50%	\$120,000	-	-
156	2000	30' New Flyers	03/01/01	03/01/06	7	5.0	2.00	28.53%	140,851	200,000	29.57%	\$120,000	\$34,239	\$35,489
157	2000	30' New Flyers	03/01/01	03/01/06	7	5.0	2.00	28.53%	154,649	200,000	22.68%	\$120,000	\$34,239	\$27,211
158	2000	35' Flexible	03/01/01	06/03/06	10	5.3	4.74	47.40%	200,000	350,000	42.86%	\$120,000	\$56,877	\$51,429
159	2001	35' Flexible	03/01/01	06/03/06	10	5.3	4.74	47.40%	300,000	350,000	14.29%	\$195,000	\$92,425	\$27,857
160	2001	35' Flexible	03/01/01	11/02/07	10	6.7	3.32	33.23%	300,000	350,000	14.29%	\$195,000	\$64,804	\$27,857
161	2001	35' Flexible	03/01/01	07/02/07	10	6.3	3.66	36.60%	325,000	350,000	7.14%	\$195,000	\$71,375	\$13,929
163	2001	35' Flexible	03/01/01	11/02/07	10	6.7	3.32	33.23%	325,000	350,000	7.14%	\$195,000	\$64,804	\$13,929
164	1996	40' Buses	03/21/96	04/03/06	12	10.0	1.96	16.32%	425,000	500,000	15.00%	\$295,000	\$48,156	\$44,250
165	1996	40' Buses	06/19/96	04/03/07	12	10.8	1.21	10.05%	435,000	500,000	13.00%	\$295,000	\$29,635	\$38,350
166	1996	40' Buses	06/19/96	04/03/07	12	10.8	1.21	10.05%	450,000	500,000	10.00%	\$295,000	\$29,635	\$29,500
167	1996	40' Buses	06/20/96	06/02/07	12	11.0	1.04	8.70%	450,000	500,000	10.00%	\$295,000	\$25,661	\$29,500
168	1996	40' Buses	06/23/96	06/02/07	12	10.9	1.05	8.77%	450,000	500,000	10.00%	\$295,000	\$25,863	\$29,500

APPENDIX E

COST ALLOCATION PLANS

1. **REQUIREMENTS.** Grantees who intend to seek Federal Transit Administration (FTA) reimbursement for indirect costs must prepare a Cost Allocation Plan and/or Indirect Cost Rate Proposal. The following are basic requirements for preparing a Cost Allocation Plan.
 - a. Cost allocation plans and Indirect Cost Rate Proposals must be updated annually.
 - b. The updated plans must be retained and made available for review at the grantees annual single audit.
 - c. Updated Cost Allocation Plans may be used on a provisional basis for the following fiscal year with the provision that year-end adjustments must be made to actual costs.
 - d. The initial plan must be approved by FTA or another cognizant Federal agency. For subsequent approvals, please refer to paragraph IV.
 - e. Additionally, all costs in the plan must be supported by formal accounting records to substantiate the propriety of eventual charges. The allocation plan of the grantee should cover all applicable costs. It should also cover costs allocated under plans of other agencies or organizational units which are to be included in the costs of other federally-sponsored programs. To the extent feasible, Cost Allocation Plans of all agencies rendering assistance to the grantee should be presented in a single document.
 - f. Content. The Cost Allocation Plan should contain, but need not be limited to the following:
 - (1) Nature and extent of services provided and their relevance to federally-sponsored programs;
 - (2) Items of expense to be included;
 - (3) Methods to be used in distributing cost; and
 - (4) Appropriate Civil Rights data.
2. **PURPOSE OF THE PLAN.** The purpose of the plan is to guide the grantees' allocation of costs. The plan should ensure:
 - a. All activities of local government departments or State agencies have been considered;
 - b. Distribution of indirect costs is based on a method(s) reasonably indicative of the amount of services provided;
 - c. Services provided are necessary for successful conduct of Federal programs;

- d. Level of costs incurred are reasonable;
 - e. Costs of State of local centralized government services may be charged in conformance with government-wide cost allocations plans; and
 - f. Costs claimed are allowable in accordance with the Office of Management and Budget (OMB) Circular A-87, as applicable.
3. DEVELOPMENT OF COST ALLOCATION PLAN. In planning the development of a Cost Allocation Plan, grantees should develop a Cost Allocation Plan that identifies costs of supporting service units and allocates those costs to benefiting units on an equitable basis. The following is a list of components that should be included in a Cost Allocation Plan:
- a. An organization chart;
 - b. Financial Statements;
 - c. Cost Allocation Methodology;
 - d. Cost Allocation Rate Proposal:
 - (1) Identification of costs of each type of service to be claimed,
 - (2) Determination of the method for allocating each type of service cost to users,
 - (3) Identification of units rendering/receiving service and associated costs,
 - (4) Description of services,
 - (5) Description of Allocation Base (Consistency is important), and
 - (6) Summary Allocation Schedule for each service.
 - e. Proposal Reconciliation with Financial Statements. (Note: Allocated costs must be reasonable and trackable to the financial Statements);
 - f. Identification of Federal Award Direct Cost Base; and
 - g. Certification of Conformance with OMB Circular A-87. A proposal to establish a Cost Allocation Plan or an Indirect Cost Rate Proposal, will be unacceptable if the Certificate of Cost Allocation Plan or Certificate of Indirect Costs is omitted. The certificate must be signed on behalf of the governmental unit by an individual at a level no lower than chief financial officer of the governmental unit that submits the proposal or component covered by the proposal.

4. SUBMISSION OF COST ALLOCATION PLAN/INDIRECT COST RATE PROPOSALS. OMB Circular A–87 requires that the plan (called a proposal) be submitted to a grantee’s Federal Cognizant Agency for approval. The Cost Allocation Plan/Indirect Cost Rate Proposal should be submitted to the “cognizant” or “lead” Federal Agency when:
 - a. The grantee is working on its first assistance project or has not previously had a Cost Allocation Plan/Indirect Cost Rate Proposal reviewed and accepted;
 - b. The grantee has made a change in its accounting system, thereby affecting the previously approved Cost Allocation Plan/Indirect Cost Rate Proposal and its basis of application;
 - c. The grantee’s proposed Cost Allocation Plan / Indirect Cost Rate Proposal exceeds the amounts and rate approved for the previous year(s) by more than 20 percent; or
 - d. The grantee changes the Cost Allocation Plan/Indirect Cost Rate Proposal methodology.
5. PLAN APPROVAL. Most transit agencies are under the cognizance of the Department of Transportation (DOT). Whenever the cognizant agency gives prior approval to a government-wide Cost Allocation Plan or Indirect Cost Rate Proposal , such approval is formalized, distributed to all interested Federal agencies, and applicable to all Federal grants in accordance with OMB Circular A–87.

An approved Cost Allocation Plan or Indirect Cost Rate Proposal must be updated annually. The update should be retained and made available for review at the time of the grantee’s organization-wide audit.

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APPENDIX F

REQUEST FOR ADVANCE OR REIMBURSEMENT (SF-270)

1. **GENERAL.** If the requisition method of payment is used, the grantee agrees to:
 - a. Complete and submit “ACH Vendor/Miscellaneous Payment Enrollment Form” (See Exhibit F-1 to FTA’s Accounting Division.
 - b. Complete and submit an original Standard Form 270, “Request for Advance or Reimbursement,” (See Exhibit F-2) to the Federal Aviation Administration’s Enterprise Service Center in Oklahoma, City, FTA’s designated Accounting Center. All supporting documentation needed to support and justify the reimbursement of funds and satisfy the FTA Project Manager must accompany the SF 270.

Upon receipt of the SF 270 payment request, FTA will authorize payment by Automated Clearing House (ACH) deposit if the grantee is complying with its obligations under the approved grant; has satisfied FTA that it needs the requested Federal funds during the requisition period; and is making adequate progress toward the timely completion of the project. If all these circumstances are present, FTA may reimburse apparent allowable costs incurred (or to be incurred during the requisition period) by the grantee up to the maximum amount of Federal funds payable through the fiscal year in which the requisition is submitted, as stated in the project budget.

2. **INSTRUCTIONS.** Instructions for completing an SF-270 are printed on its reverse side. In addition, the following instructions should assist grantees in completing this form.
 - a. Only the total column on this form should be completed, unless the project involves more than one funding ratio. In such instances, the other columns are also to be used.

In addition, grantees should round all figures to the nearest dollar, i.e., amounts of \$.50 or over would be rounded to the higher dollar. For example: if the non-Federal share is computed to be \$2,572.70, the amount reported would be \$2,573.
 - b. Block #5—All requisitions should be numbered consecutively beginning with #1 as the first requisition. Suggested format should include the fiscal year and sequential number for each individual voucher. For example, the payment request number for the Grantee’s first voucher submitted in fiscal year 2007 would appear on the SF 270 as follows: 2007-001.
 - c. Block #8—The first requisition covers the date the grant was awarded, (unless the grant had pre-award authority), through the end of the period for which reimbursement is requested. When a requisition requests reimbursement only, the “ending” date will be the same date on which outlays are reported on line 11a of this form. If the reimbursement and/or an advance is being requested, the “ending” date should reflect the period through which the advance funds are needed.

All requisition report periods should run consecutively. For example, if a requisition is submitted for the period 1/1/07 to 3/31/07, the next requisition will begin 4/1/07.

- d. Block #9—The name of the grantee should be exactly as indicated on the Grant Agreement. Grantees should avoid abbreviation but spell out the entire name of the organization.
- e. Block #11—Line A—The “as of” date should be the date for which the grantee has actual costs recorded. This date should be the same as the “to” date, Block #8, unless the grantee is requesting an advance.

Line B—Represents the amount applicable to program income that was required to be used for the project or program by terms of the grant or other agreement.

Line D—Represents the estimated expenditures for the advance period, both FTA share and the local share.

Line F—Non-Federal share of line E, depending on the funding ratio of a particular project.

Line G—Federal share of line E, depending on the funding ratio for a particular project.

Line H—Total of previous requisition(s) submitted. This line should not represent actual payment received because the grantee may have submitted a requisition that is in the process of being paid. Requisition #1 on this line should be zero.

Note that grantees should only complete the “total” column of Block #11, unless the Grant Agreement specified that there is more than one funding source supporting the project. In such cases, separate columns should be utilized for each funding sources.

Line I – Federal share now requested represents the total amount of the SF 270 reimbursement that will be forwarded to the grantee.

- 3. REVIEW OF THE SF-270. Each SF-270 for funds will be reviewed in light of the periodic progress reports and financial reports required for each project. Changes requiring grant amendments or prior approval of a budget revision must be approved before funds for these changes are requisitioned.

EXHIBIT 1

ACH VENDOR/MISCELLANEOUS PAYMENT ENROLLMENT FORM

OMB No. 1510-0056

This form is used for Automated Clearing House (ACH) payments with an addendum record that contains payment-related information processed through the Vendor Express Program. Recipients of these payments should bring this information to the attention of their financial institution when presenting this form for completion.

PRIVACY ACT STATEMENT

The following information is provided to comply with the Privacy Act of 1974 (P.L. 93-579). All information collected on this form is required under the provisions of 31 U.S.C. 3322 and 31 CFR 210. This information will be used by the Treasury Department to transmit payment data, by electronic means to vendor's financial institution. Failure to provide the requested information may delay or prevent the receipt of payments through the Automated Clearing House Payment System.

AGENCY INFORMATION

FEDERAL PROGRAM AGENCY DOT, Federal Transit Administration		
AGENCY IDENTIFIER:	AGENCY LOCATION CODE (ALC): 69-08-0001	ACH FORMAT: <input checked="" type="checkbox"/> CCD+ <input type="checkbox"/> CTX <input type="checkbox"/> CTP
ADDRESS: 1200 New Jersey Avenue S.E., East Building, Fifth Floor (E-54)		
Washington, DC 20590		
CONTACT PERSON NAME: Millie Fields		TELEPHONE NUMBER: (202) 366-6685
ADDITIONAL INFORMATION: Mail completed ACH form, with original signatures, to the above address.		

PAYEE/COMPANY INFORMATION

NAME	SSN NO. OR TAXPAYER ID NO.
ADDRESS	
CONTACT PERSON NAME: Note: Contact name will be verified with the FTA Project Lead	TELEPHONE NUMBER: ()

FINANCIAL INSTITUTION INFORMATION

NAME:	
ADDRESS:	
ACH COORDINATOR NAME:	TELEPHONE NUMBER: ()
NINE-DIGIT ROUTING TRANSIT NUMBER: _____	
DEPOSITOR ACCOUNT TITLE:	
DEPOSITOR ACCOUNT NUMBER:	LOCKBOX NUMBER:

EXHIBIT 1 (continued)

TYPE OF ACCOUNT:	
<input type="checkbox"/> CHECKING	<input type="checkbox"/> SAVINGS <input type="checkbox"/> LOCKBOX
SIGNATURE AND TITLE OF AUTHORIZED OFFICIAL: (Could be the same as ACH Coordinator)	TELEPHONE NUMBER: ()

NSN 7540-01-274-9925

SF 3881 (Rev 12/90)
Prescribed by Department of Treasury
31 U.S.C. 3322; 31 CFR 210

Instructions for Completing SF 3881 Form

1. Agency Information Section - Federal agency prints or types the name and address of the Federal program agency originating the vendor/miscellaneous payment, agency identifier, agency location code, contact person name and telephone number of the agency. Also, the appropriate box for ACH format is checked.
2. Payee/Company Information Section - Payee prints or types the name of the payee/company and address that will receive ACH vendor/miscellaneous payments, social security or taxpayer ID number, and contact person name and telephone number of the payee/company. Payee also verifies depositor account number, account title, and type of account entered by your financial institution in the Financial Institution Information Section.
3. Financial Institution Information Section - Financial institution prints or types the name and address of the payee/company's financial institution who will receive the ACH payment, ACH coordinator name and telephone number, nine-digit routing transit number, depositor (payee/company) account title and account number. Also, the box for type of account is checked, and the signature, title, and telephone number of the appropriate financial institution official are included.

Burden Estimate Statement

The estimated average burden associated with this collection of information is 15 minutes per respondent or recordkeeper, depending on individual circumstances. Comments concerning the accuracy of this burden estimate and suggestions for reducing this burden should be directed to the Financial Management Service, Facilities Management Division, Property and Supply Branch, Room B-101, 3700 East West Highway, Hyattsville, MD 20782 and the Office of Management and Budget, Paperwork Reduction Project (1510-0056), Washington, DC 20503.

EXHIBIT 2

REQUEST FOR ADVANCE OR REIMBURSEMENT <i>(See instructions on back)</i>		OMB APPROVAL NO. <div style="text-align: center;">0348-0004</div>		PAGE _____ OF _____ PAGES	
		1. TYPE OF PAYMENT REQUESTED	a. "X" one or both boxes <input type="checkbox"/> ADVANCE <input type="checkbox"/> REIMBURSEMENT		2. BASIS OF REQUEST <input type="checkbox"/> CASH <input type="checkbox"/> ACCRUAL
			b. "X" the applicable box <input type="checkbox"/> FINAL <input type="checkbox"/> PARTIAL		
3. FEDERAL SPONSORING AGENCY AND ORGANIZATIONAL ELEMENT TO WHICH THIS REPORT IS SUBMITTED		4. FEDERAL GRANT OR OTHER IDENTIFYING NUMBER ASSIGNED BY FEDERAL AGENCY		5. PARTIAL PAYMENT REQUEST NUMBER FOR THIS REQUEST	
6. EMPLOYER IDENTIFICATION NUMBER	7. RECIPIENT'S ACCOUNT NUMBER OR IDENTIFYING NUMBER	8. PERIOD COVERED BY THIS REQUEST			
		FROM (month, day, year) _____ TO (month, day, year) _____			
9. RECIPIENT ORGANIZATION		10. PAYEE (Where check is to be sent if different than item 9)			
Name: Number and Street: City, State and ZIP Code:		Name: Number and Street: City, State and ZIP Code:			
11. COMPUTATION OF AMOUNT OF REIMBURSEMENTS/ADVANCES REQUESTED					
PROGRAMS/FUNCTIONS/ACTIVITIES ►	(a)	(b)	(c)	TOTAL	
a. Total program outlays to date <i>(As of date)</i>	\$	\$	\$	\$ 0.00	
b. Less: Cumulative program income				0.00	
c. Net program outlays <i>(Line a minus line b)</i>	0.00	0.00	0.00	0.00	
d. Estimated net cash outlays for advance period				0.00	
e. Total <i>(Sum of lines c & d)</i>	0.00	0.00	0.00	0.00	
f. Non-Federal share of amount on line e				0.00	
g. Federal share of amount on line e				0.00	
h. Federal payments previously requested				0.00	
i. Federal share now requested <i>(Line g minus line h)</i>	0.00	0.00	0.00	0.00	
j. Advances required by month, when requested by Federal grantor agency for use in making prescheduled advances					
1st month				0.00	
2nd month				0.00	
3rd month				0.00	
12. ALTERNATE COMPUTATION FOR ADVANCES ONLY					
a. Estimated Federal cash outlays that will be made during period covered by the advance				\$	
b. Less: Estimated balance of Federal cash on hand as of beginning of advance period					
c. Amount requested <i>(Line a minus line b)</i>				\$ 0.00	

EXHIBIT 2 (continued)

13. CERTIFICATION		
I certify that to the best of my knowledge and belief the data on the reverse are correct and that all outlays were made in accordance with the grant conditions or other agreement and that payment is due and has not been previously requested.	SIGNATURE OR AUTHORIZED CERTIFYING OFFICIAL	DATE REQUEST SUBMITTED August 13, 2007
	TYPED OR PRINTED NAME AND TITLE	TELEPHONE (AREA CODE, NUMBER, EXTENSION)

This space for agency use

Public reporting burden for this collection of information is estimated to average 60 minutes per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Office of Management and Budget, Paperwork Reduction Project (0348-0004), Washington, DC 20503.

PLEASE DO NOT RETURN YOUR COMPLETED FORM TO THE OFFICE OF MANAGEMENT AND BUDGET. SEND IT TO THE ADDRESS PROVIDED BY THE SPONSORING AGENCY.

INSTRUCTIONS

Please type or print legibly. Items 1, 3, 5, 9, 10, 11e, 11f, 11g, 11i, 12 and 13 are self-explanatory; specific instructions for other items are as follows:

Item	Entry	Item	Entry
2	Indicate whether request is prepared on cash or accrued expenditure basis. All requests for advances shall be prepared on a cash basis.		activity. If additional columns are needed, use as many additional forms as needed and indicate page number in space provided in upper right; however, the summary totals of all programs, functions, or activities should be shown in the "total" column on the first page.
4	Enter the Federal grant number, or other identifying number assigned by the Federal sponsoring agency. If the advance or reimbursement is for more than one grant or other agreement, insert N/A; then, show the aggregate amounts. On a separate sheet, list each grant or agreement number and the Federal share of outlays made against the grant or agreement.	11a	Enter in "as of date," the month, day, and year of the ending of the accounting period to which this amount applies. Enter program outlays to date (net of refunds, rebates, and discounts), in the appropriate columns. For requests prepared on a cash basis, outlays are the sum of actual cash disbursements for goods and services, the amount of indirect expenses charged, the value of in-kind contributions applied, and the amount of cash advances and payments made to subcontractors and subrecipients. For requests prepared on an accrued expenditure basis, outlays are the sum of the actual cash disbursements, the amount of indirect expenses incurred, and the net increase (or decrease) in the amounts owed by the recipient for goods and other property received and for services performed by employees, contracts, subgrantees and other payees.
6	Enter the employer identification number assigned by the U.S. Internal Revenue Service, or the FICE (institution) code if requested by the Federal agency.	11b	Enter the cumulative cash income received to date, if requests are prepared on a cash basis. For requests prepared on an accrued expenditure basis, enter the cumulative income earned to date. Under either basis, enter only the amount applicable to program income that was required to be used for the project or program by the terms of the grant or other agreement.
7	This space is reserved for an account number or other identifying number that may be assigned by the recipient.	11d	Only when making requests for advance payments, enter the total estimated amount of cash outlays that will be made during the period covered by the advance.
8	Enter the month, day, and year for the beginning and ending of the period covered in this request. If the request is for an advance or for both an advance and reimbursement, show the period that the advance will cover. If the request is for reimbursement, show the period for which the reimbursement is requested.	13	Complete the certification before submitting this request.
<p>Note: The Federal sponsoring agencies have the option of requiring recipients to complete items 11 or 12, but not both. Item 12 should be used when only a minimum amount of information is needed to make an advance and outlay information contained in item 11 can be obtained in a timely manner from other reports.</p>			
11	The purpose of the vertical columns (a), (b), and (c) is to provide space for separate cost breakdowns when a project has been planned and budgeted by program, function, or		

APPENDIX G

REFERENCES

(Appendix G will be inserted when the final circular is adopted).

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APPENDIX H

FTA REGIONAL AND METROPOLITAN CONTACT INFORMATION

<u>Office</u>	<u>Area Served</u>	<u>Contact Information</u>
Region I	Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont	Transportation Systems Center Kendall Square 55 Broadway, Suite 920 Cambridge, MA 02142-1093 Phone: 617-494-2055 Fax: 617-494-2865
Region II	New York and New Jersey	One Bowling Green Room 429 New York, NY 10004-1415 Phone: 212-668-2170 Fax: 212-668-2136
Region III	Delaware, District of Columbia, Maryland, Pennsylvania, Virginia, and West Virginia	1760 Market St Suite 500 Philadelphia, PA 19103-4124 Phone: 215-656-7100 Fax: 215-656-7260
Region IV	Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, Puerto Rico, South Carolina, Tennessee, and U. S. Virgin Islands	230 Peachtree Street NW Suite 800 Atlanta, GA 30303 Phone: 404-865-5600 Fax: 404-865-5605
Region V	Illinois, Indiana, Minnesota, Michigan, Ohio, and Wisconsin	200 W Adams St Suite 320 Chicago, IL 60606 Phone: 312-353-2789 Fax: 312-886-0351
Region VI	Arkansas, Louisiana, New Mexico, Oklahoma, and Texas	819 Taylor St Room 8A36 Forth Worth, TX 76102 Phone: 817-978-0550 Fax: 817-978-0575
Region VII	Iowa, Kansas, Missouri, and Nebraska	901 Locust, Suite 404 Kansas City, MO 64106 Phone: 816-329-3920 Fax: 816-329-3921

<u>Office</u>	<u>Area Served</u>	<u>Contact Information</u>
Region VIII	Colorado, Montana, North Dakota, South Dakota, Utah, and Wyoming	12300 W Dakota Ave. Suite 310 Lakewood, CO 80228-2583 Phone: 720-963-3300 Fax: 720-963-3333
Region IX	Arizona, California, Hawaii, Nevada, Guam, American Samoa, and Northern Mariana Islands	201 Mission St Room 1650 San Francisco, CA 94105-1839 Phone: 415-744-3133 Fax: 415-744-2726
Region X	Alaska, Washington, Oregon, and Idaho	Jackson Federal Building 915 Second Ave, Suite 3142 Seattle, WA 98174-1002 Phone: 206-220-7954 Fax: 206-220-7959
Lower Manhattan Recovery Office	Lower Manhattan	One Bowling Green, Room 436 New York, NY 10004 Phone: 212-668-1770 Fax: 212-668-2505
New York Metropolitan Office	New York Metropolitan Area	One Bowling Green, Room 428 New York, NY 10004-1415 Telephone: 212-668-2201 Fax: 212-668-2136
Philadelphia Metropolitan Office	Philadelphia Metropolitan Area	1760 Market Street, Suite 510 Philadelphia, PA 19103-4124 Telephone: 215-656-7070 Fax: 215-656-7269
Chicago Metropolitan Office	Chicago Metropolitan Office	200 West Adams Street Suite 2410 (24th floor) Chicago, IL 60606 Telephone: 312-886-1616 Fax: 312-886-0351
Los Angeles Metropolitan Office	Los Angeles Metropolitan Area	888 S. Figueroa, Suite 1850 Los Angeles, CA 90012 Telephone: 213-202-3950 Fax: 213-202-3961
Washington, DC Metropolitan Office	Washington, DC Metropolitan Area	1990 K Street NW Suite 510 Washington, DC 20006 Telephone: 202-219-3562/3565 Fax: 202-219-3545

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